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CANADIAN FOREIGN POLICY
IN CENTRAL AMERICA

Gerald Schmitz

Political and Social Affairs Division
Research Branch
Ottawa

May 1986



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CANADIAN FOREIGN POLICY
IN CENTRAL AMERICA

Gerald Schmitz

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BACKGROUND PAPER FOR PARLIAMENTARIANS

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CENTRAL AMERICA

CONIC PROJECTION

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SCALE OF KILOMETERS
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CANADIAN FOREIGN POLICY IN CENTRAL AMERICA

The national security of all the Americas is at stake in Central America.

-- President Ronald Reagan

In our view, states have the right to follow whatever ideological path their peoples decide.

-- Prime Minister Pierre Trudeau

Good relations, super relations, with the United States will be the cornerstone of our foreign policy.

-- Prime Minister Brian Mulroney

INTRODUCTION*

In mid-March 1986 Canadian Prime Minister Brian Mulroney travelled to Washington for his second major meeting with U.S. President Ronald Reagan. However, this encounter, unlike the effervescent "Shamrock summit" of a year earlier, was overshadowed by the impending vote in Congress on President Reagan's request for an additional \$100 million in aid to the "Contras," the rebel forces waging a hit-and-run guerrilla war against the Sandinista regime in Nicaragua from bases in Honduras and Costa Rica. Both the fighting in Central America and the debate over the U.S. role in the region have been savage. The Cold War rhetoric evokes memories of the Cuban crisis and Vietnam. To President Reagan Nicaragua is a totalitarian Communist state, a Soviet-Cuban "proxy" which directly threatens its neighbours and a "malignancy" threatening democracy in the hemisphere.

* The author would like to thank Habib Massoud for research assistance and Robert Miller of the Parliamentary Centre for Foreign Affairs and Foreign Trade for his valuable insights over several years. Neither, of course, bears any responsibility for the contents of this paper or positions taken in it.

To critics of the Reagan policy U.S. motives and tactics are suspect, ill-conceived, certain to do more harm than good. Nicaragua under siege will become more polarized; the regime's Marxist-Leninist leadership more hardline. The hopes of the Nicaraguan revolution will be snuffed out.

In the Central America that emerges from the flood of headlines in recent years, there appears to be no stable middle ground. Yet Canadian policy is caught trying to balance, rather awkwardly and somewhat ambivalently, on the fulcrum of this elusive centre. Although a close neighbour, friend and ally of the United States, Canada does not have the interests of a superpower, nor does Canada share the bloody history of U.S. involvement in Latin America. Since the overthrow of the Somoza dynasty in 1979 Canada, following its honoured peacekeeping traditions, has consistently rejected outside military intervention in the region in favour of political negotiations. The logical conclusion is that Canada is against giving more aid (70% of which will be "lethal," the remainder "humanitarian") to the Contras, the policy identified by most Latin American governments as the main external stumbling block to peace in the region. Yet Canada has refrained from direct criticism of U.S. policy, keeping its "loyal opposition" at the level of principle, carefully treading a path of middle-power moderation. Canadian governments, anxious to maintain Washington's good will, have often "resisted the temptation" to say in public what they think in private.⁽¹⁾

Of course, the bilateral Canada-U.S. relationship is by any objective measure far more weighty and important than the issue of aid to the Contras. Why, one may ask, should a few million people in Central America be of real concern to Canadian policymakers? Are there not worse

(1) The Canadian reticence was particularly evident before and during the March 1986 Mulroney-Reagan summit. At a news conference on 14 March Canadian Ambassador Allan Gotlieb said "the federal government believes 'that we ought to resist the temptation' to issue advice to the Reagan administration about its policies toward Nicaragua although Canada disagrees with outside military interference." (The Citizen, Ottawa, 15 March 1986, p. A.16.) This echoed earlier responses by Secretary of State for External Affairs Joe Clark to questions in the House of Commons. While in Washington Prime Minister Mulroney declined to be drawn into questions on Nicaragua.

examples of poverty, repression and human rights violations? Surely much larger countries like Mexico and Brazil deserve most of our attention in Latin America. What is at stake for Canada in Central America?

In economic terms, even for the United States, Central America must be regarded as a net burden. Taken together the countries of the isthmus account for only 2% of Latin America's GDP, 2% of total U.S. trade with Latin America and 2.5% of direct investment. For the United States at least, there are strong historical ties and strategic interests to defend (e.g., the Panama Canal and adjacent sea lanes). By updating the Monroe doctrine into a new Cold War doctrine of anti-Communist containment, President Reagan has probably done more than anyone to put Nicaragua on the map. But this is American policy; America's "backyard," not Canada's. And yet the fact is that a great many Canadians have become vitally concerned about what is happening in Central America. Public pressure combined with events in Washington have pushed the Canadian government to articulate a more substantive policy towards a region in which Canada's interests and influence have ranged from meagre to non-existent.⁽¹⁾

A deeper analysis of the Central American conflicts and of the Canadian public reaction to them lies beyond the scope of this paper. However, a fair generalization would probably be that most Canadians (and, judging from infrequent policy statements, the Canadian government) view the current difficulties as rooted in decades of social injustice and violent political oppression rather than as the sudden product of outside (Communist) subversion -- i.e., in "North-South" as opposed to "East-West"

(1) This has caused surprise and some chagrin in Ottawa. An August 1984 Gallup poll showed Canadians opposed to U.S. strategy in Central America by a 2-to-1 margin. A Decima survey a year later indicated that almost 80% of Canadians see Central America as an important area of concern for their government. It has become a frequent issue for parliamentarians. Striking confirmation was provided by the public hearings of the Special Joint Committee on Canada's International Relations in which the number of interventions on Central America, peace, human rights and development issues often pushed into the background the traditional "harder" areas of foreign trade and defence policy.

terms.⁽¹⁾ Clearly both dimensions are present, but in this view the causal linkage is one-way: East-West rivalry only enters as an effect of an already revolutionary situation. Such rivalry, real or imagined, is, moreover, usually injected into the situation by the dominant power, in this case the United States.

Even a casual reading of Central American history reveals that the influence of the United States in the region has been overwhelmingly greater than that of any other foreign nation. Yet this very strength has often produced a defensive posture which has proved self-defeating. During the crisis following the Cuban revolution, the then American ambassador to the United Nations, Henry Cabot Lodge, neatly captured the weakness of U.S. policy: "We should focus on the Declaration of Independence rather than the Communist Manifesto. (...) The U.S. can

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- (1) This view receives strong support from independent scholars. Among the best general sources in English are Walter La Feber, Inevitable Revolution: The United States in Central America, New York, W.W. Norton, 1983; Robert Leiken, ed., Central America: Anatomy of Conflict, Pergamon, New York, 1984; George Irvin and Xabier Gorostiaga, eds., Towards an Alternative for Central America and the Caribbean, George Allen & Unwin, London, 1985; William Leo Grande, ed., Confronting Revolution: United States Policy in Central America, Pantheon, New York, 1986. For contrasting emphasis see, for example, Edward Gonzalez, "The Cuban and Soviet Challenge in the Caribbean Basin," Orbis, Spring 1985, p. 73-94. A full range of view and interpretations can be found in Joseph Cirincione, ed., Central America and the Western Alliance, Carnegie Endowment for International Peace and the International Institute for Strategic Studies, Holmes and Meier, New York, 1985.

Interestingly, despite the Reagan campaign, polls taken in the United States have shown a basic similarity between American and Canadian public opinion. In an April 1984 CBS News survey, 57% agreed that, "poverty and lack of human rights [is] the greater cause of unrest in Central America [as opposed to] subversion from Cuba, Nicaragua, and the Soviet Union." The same poll also revealed that "only 25 percent of those interviewed knew which side the United States was supporting in El Salvador, and a mere 13 percent could correctly affirm that the United States was (at the time) supporting anti-Sandinista rebels in Nicaragua." (Mark Falcoff, "How to Understand Central America," Commentary, September 1984, p. 30 ff.)

win wars, but the question is can we win revolutions."⁽¹⁾ This question is also, repeatedly, being asked of the U.S. by its friends and allies. Specifically, the Canadian government is being urged to use its good offices to promote an answer along predominantly North-South rather than East-West lines. In a few short years, this insistence, broadly based and with no sign of slackening, has moved the agony of Central America on to the front-burner of Canadian foreign policy.

THE AWAKENED CANADIAN INTEREST IN CENTRAL AMERICA

Until very recently Central America had a very low profile in Canadian foreign policy. Prior to 1926 Canada's external relations in the region were handled by Great Britain. Since that time, while hemispheric contacts have multiplied, Central American trade and investment flows have remained very small in relation to countries like Mexico and Brazil. Canada has been slow to establish an independent diplomatic presence. At present we have only two embassies in Central America: one in Guatemala, accredited for Honduras, and another in Costa Rica, accredited for El Salvador, Nicaragua and Panama.⁽²⁾ There are only a handful of foreign service personnel dealing exclusively with Central American affairs.

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- (1) Cited in La Feber, Inevitable Revolutions, p. 14-15. Hans Morgenthau made a similar observation in the early 1970s when he stated: "The real issue facing American foreign policy is not how to preserve stability in the face of revolution, but how to create stability out of revolution." (Ibid., p. 16.) For a review of both the East-West and North-South dimensions of the question cf. "Western Interests and U.S. Policy Options in the Caribbean Basin," Report of the Atlantic Council's Working Group on the Caribbean Basin, Atlantic Community Quarterly, Vol. 2, Winter 1983-84, p. 356-69.
- (2) The Guatemalan post was upgraded from mission status only in 1982 and was previously served from Mexico City. By contrast, all of the Central American countries, except for Panama, maintain separate embassies in Ottawa.

By contrast, countries like France have a much greater diplomatic representation.⁽¹⁾

The 1970 Trudeau government document Foreign Policy for Canadians argued for a significant upgrading of relations with Latin America. In part this was to be consistent with the "third option" formulated several years later with the objective of diversifying Canadian trade and reducing dependence on the United States. Private groups such as the Canadian Association for Latin America and the Caribbean (CALA) lobbied hard for a higher priority to be given to commercial opportunities in the rapidly-growing Latin American markets. The Canadian International Development Agency (CIDA) began a substantial program of bilateral aid to the "Americas" and Canada steadily increased its multilateral regional involvement through the World Bank and the Inter-American Development Bank. During the decade Latin America also became a chief focus for concerns over international human rights and the "North-South" dialogue.

Central America, however, did not as yet receive very much attention from Canadian policymakers.⁽²⁾ Why? For one thing, Central America could not claim the special Commonwealth ties which Canada has with many island Caribbean nations. More importantly, Canada was intent on pursuing what D.V. Murray has called the "bilateral road" in its relations with the rest of Latin America.⁽³⁾ This meant that Canada concentrated

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- (1) There are no plans for more embassies or staff as the Department of External Affairs has pleaded budget constraints for years. However, the cost argument has not impressed critics. (For example, Oakland Ross, "Canada missing diplomatic boat," Toronto Globe and Mail, 25 September 1982.) The New Democratic Party has joined many church, human rights and Central America support groups in pressing for a Canadian embassy in Nicaragua, without success.
 - (2) The Clark Government Discussion Paper, Canada in a Changing World, which was not tabled before the House of Commons External Affairs Committee until June 1980, only vaguely noted the growing influence of Cuba in the Caribbean area and Cuba's "possible response to requests for military assistance from revolutionary groups and established governments alike. Such activities could heighten East-West rivalry in a region of traditional Western influence."
 - (3) D.R. Murray, "The bilateral road: Canada and Latin America in the 1980s," International Journal, Vol. 37, Winter 1981-82, p. 108-131.

its efforts on those countries which seemed to show the most promise in terms of future trade and commerce; Mexico, Venezuela and Brazil heading the list. "Bilateralism" became a key element of Canadian foreign policy, and was strongly defended by the Secretary of State for External Affairs, Mark MacGuigan, in a speech to the Empire Club of Toronto on January 22, 1981, and in subsequent statements before the House of Commons Standing Committee on External Affairs and National Defence.⁽¹⁾

In the context of bilateralism Central America was a marginal area in terms of Canadian interests. Canada's trade with these countries was never large despite having enjoyed fairly steady growth during the 1970s, a trend set back by the economic crisis of the 1980s. Moreover, Canada was in a deficit position with the countries of the Central American common market (the exception being Panama), indicating that Canadian investors and exporters had not been very active in the region. Two controversial exceptions were INCO's participation in the Exmibal nickel project in Guatemala, and the involvement of the Export Development Corporation (EDC) with several Canadian companies in the giant Cerro Colorado copper mining and smelting venture in Panama. Both of these mining mega-projects were strongly criticized by some non-governmental organizations and social action groups in Canada as being examples of the type of exploitive, capital-intensive development which ignores the basic needs of the local population.⁽²⁾ Poor nickel markets and continuing tax and financial problems caused the pullout of INCO and Exmibal's shutdown in November 1981.

(1) This was a reaffirmation rather than a change of policy and echoed statements by the Hon. Flora MacDonald during her tenure as Secretary of State for External Affairs in the short-lived Clark government. MacGuigan stressed the bilateral and strategic aspect of future relations in one of his first speeches as External Affairs Minister. ("Canada and Latin America - Past, Present and Future," 29 March 1980.)

(2) See, for example, the issue as raised by church spokesmen in their testimony before the Sub-Committee on Canada's Relations with Latin America and the Caribbean, Standing Committee on External Affairs and National Defence, Minutes of Proceedings, Issue No. 8, July 8, 1981, p. 15-17. Many of the questions raised by the churches related to the impact of such mega-projects on the local Indian population.

The \$2 billion Cerro Colorado project was also suspended because of depressed copper prices and high financing costs. In short, external market factors plus a lack of historic ties and a climate of chronic uncertainty made Central America a less than attractive location for Canadian investment.

To the extent that Central America emerged as a topic for public debate in Canada it was more in response to the issues of human rights, refugees, and foreign aid. On the question of human rights, government policy consistently favoured quiet diplomacy over public denunciation.⁽¹⁾ While keeping its distance, the government said it supported social and economic reforms and "political solutions" to the domestic conflicts in Guatemala and El Salvador. It deplored foreign military interference of any kind and the attempt to introduce an East-West polarization into the region. At the same time, the government resisted as counterproductive: first, any blanket condemnation of U.S. support of rightist regimes and attacks on to the Sandinista junta in Nicaragua and left-wing insurgencies in neighbouring countries; second, the cutting of all ties with a regime solely on the grounds of human rights violations and/or ideological considerations. The government's position was that interference in the internal affairs of another country is seldom warranted and should be undertaken only as part of a broad international effort when there is a reasonable chance of success. The government therefore found itself at odds with the United States over continuing normal relations with Nicaragua despite the increasingly Marxist character of its revolution, and at odds with human rights activists for not supporting the revolutionary opposition to repressive governments in countries like Guatemala and El Salvador.⁽²⁾

(1) Hon. Mark MacGuigan, "Canada's Human Rights Obligations," Address to the Canadian Human Rights Foundation, Ottawa, 27 March 1981.

(2) The Canadian position was spelled out by MacGuigan in a speech during a major debate on foreign policy in the House of Commons on 16 June 1981, and again on 31 March 1982 in an address "Central America and Canadian Foreign Policy" to the University of Toronto Law Faculty. The Minister, criticized for being too much under the influence of U.S. Secretary of State General Alexander Haig, was at pains to stake out a distinctively Canadian middle ground. For a useful commentary see James Rusk, "Central America policy juggled in a search for independence," Toronto Globe and Mail, 7 June 1982.

While the government stated its commitment to respect for the rule of law, social justice, and peaceful change in the region, it was extremely reluctant to take sides in domestic confrontations which it believed could only be resolved among the contending parties. Canada did not oppose efforts, such as those of Mexico's President Lopez Portillo, to mediate the conflict in El Salvador. But Canada was also prepared to give the Duarte reforms and the electoral process the benefit of the doubt. Canada did not pass judgement on the results of the elections 'a priori,' and it therefore abstained on a United Nations General Assembly resolution in late 1981 which not only condemned El Salvador for human rights violations, but called for a negotiated settlement with the guerrillas prior to elections. Canada was also prepared to give Nicaragua the benefit of the doubt despite American charges that the Sandinista junta was embarked on a "totalitarian" path. With respect to Guatemala, Canada adopted a wait-and-see attitude toward the regime of General Rios Montt, who, despite continuing reports of widespread human rights violations, had pledged to end extra-legal violence by both right and left. Canada also supported loans to Guatemala through the Export Development Corporation and the Inter-American Development Bank for improvements to the country's transportation, telecommunications and electrical power systems. The argument in favour of such loans was that, where conditions permit, the development of basic infrastructures should be allowed to proceed on its own merits, and funding should not be decided simply on the basis of the ideological complexion of the regime in power. In general, the Canadian position has been that, if economic and technical issues are not to be unduly "politicized," human rights must not be allowed to become a left/right political football as has so often been the case in the United Nations.(1)

On the question of refugees, the Minister of Immigration, the Hon. Lloyd Axworthy, announced an increase in the global quota for all of

(1) Canada's "neutralist" posture was criticized by the Inter-Church Committee on Human Rights in Latin America (ICCHRLA) in briefs to Canadian delegates to the UN Commission on Human Rights. Church and human rights groups strongly opposed aid and financial credits to regimes on their black list. On the other hand, Nicaragua, blacklisted by Washington, benefited from the government's policy. Canadian delegates to the multilateral banks opposed the U.S. use of extraneous political and "human rights" grounds to veto loans to Nicaragua.

Latin America from 1,000 to 2,000 in 1982. However, even the lower quota had not been filled in the past. And the very small numbers granted refugee status, mostly skilled professionals, did little to relieve the pressure of hundreds of thousands of Guatemalan and Salvadoran Indian peasants fleeing the violence in their homelands to camps in Mexico and Honduras. Canada therefore also increased its assistance to the United Nations High Commission for Refugees and to Canadian NGOs operating in the camps. Canada further indicated its willingness to collaborate with other governments and international agencies in resettlement programs. Requests for political asylum continued to be processed on a case-by-case basis.⁽¹⁾ However, complaints led to recommendations by a parliamentary committee for new procedures. The government later established a program for amnestied political prisoners from El Salvador.

On the question of official development assistance to the countries of the region, Canada had just announced a large increase in its bilateral aid program -- from a total of \$60 million in CIDA disbursements since 1972 to potentially \$106 million over the five years 1982-87 -- when President Reagan unveiled details of his controversial Caribbean Basin Initiative (CBI) in March 1982. While the CBI had strongly anti-communist overtones, and envisaged a disproportionately large amount of financial aid to El Salvador, it also offered a wide variety of measures to spur economic recovery and to open markets to imports from the Caribbean basin region. It was these anti-protectionist trade measures as much as the question of aid to El Salvador which resulted in the CBI being stalled in the U.S. Congress. Canada welcomed the positive economic benefits which might flow from the CBI and agreed to cooperate, on that basis. However, Canada did not wait to proceed with its own aid program and steered clear of the U.S. ideological agenda.⁽²⁾

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- (1) One case in particular -- that of Salvadoran journalist Victor Regalado and the attempts to deport him from Canada on "national security" grounds -- aroused considerable controversy. (Cf. Peter McFarlane, "The Case of Victor Regalado," Canadian Forum, August 1982, p. 39.)
- (2) There were still critics who remained unconvinced that official Ottawa was serious about resisting U.S. pressure. (Hugh McCullum, "Canada and the Politics of Complicity," Canadian Forum, August 1982, p. 19-20.)

Honduras, as the only core program country for CIDA aid and the poorest country in Central America, was to continue the main recipient of bilateral outlays. Growing political instability in Guatemala and El Salvador resulted in government-to-government aid to those countries being suspended in November 1981. However, CIDA continued to fund matching grants to Canadian NGOs still operating in the two countries, and a long-term hydroelectric project in El Salvador was to be completed as originally scheduled. Nicaragua was not an aid recipient prior to the Sandinista revolution, except for temporary relief following the 1972 earthquake. Beginning in 1980 the extreme economic situation led to an initial \$4.5 million shipment of food aid, followed by negotiations on a \$15 million line of credit and Canadian funding for a food strategy to permit the country to become more self-sufficient. CIDA also matched funds for a number of NGOs such as OXFAM which were active in Nicaragua. Recognizing the huge tasks of reconstruction after the civil war, the parliamentary sub-committee in its interim report to Parliament of December 15, 1981, recommended that Nicaragua become eligible for core program funding within CIDA.⁽¹⁾

The questions of human rights, refugees and development assistance were a major preoccupation of the Commons sub-committee on Canada's relations with Latin America and the Caribbean in its deliberations on Central America.⁽²⁾ Beginning with its interim report of December 1981, the sub-committee urged the government to take a more active role in responding to the basic needs of the peoples of the region, and to support a peaceful resolution of the armed conflicts in Guatemala and El Salvador. In particular the sub-committee advocated independent initiatives with respect to Nicaragua and El Salvador. The sub-committee expressed grave reservations about the conditions for holding elections in El Salvador, and suggested that they should be postponed until negotiations between the Salvadoran government and the leftist opposition, the FDR-FMLN, produced an

(1) See, the text of the Report as appended in the Final Report to the House of Commons, 23 November 1982, p. 78:65.

(2) See Parts V and VI of this paper for analysis of the current policy environment.

internationally-supervised cease-fire followed by a similar internationally-supervised electoral process.⁽¹⁾ In the event, the Canadian government decided to tread much more cautiously, expressing support for the principle of elections, albeit qualified by the less than ideal circumstances, but declining to send official observers to monitor the actual balloting.⁽²⁾

Canada's traditional diplomatic caution and "hands-off" approach appeared somewhat at odds with the view of a majority of members of the sub-committee that Canada ought to upgrade its relations with Central America very significantly and vigorously pursue its own foreign policy objectives in the region.⁽³⁾ In the words of the Final Report (p. 78:11-12):

26. The Sub-Committee has argued that the promotion of stability should be the central objective of Canada's foreign policy in its relations with Latin America and the Caribbean. Given our strong conviction that instability arises overwhelmingly from a failure to meet the basic economic and social needs of people, we have argued further that Canada should promote stability through its human rights, trade and investment, and development assistance policies and practices.

27. Such an approach to stability confronts a major obstacle in many countries of Latin America and the Caribbean where terrorism and violence are used to defend the status quo and to promote change. In Central America, in particular, this has given rise to civil wars and near civil wars which erode the possibility of attaining social and economic stability. Canada's opportunities to promote stability in such situations are necessarily very limited. Our country's long-range policy should be to seek to remove the conditions which give rise to violence in the first place.

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- (1) Interim Report of December 15, 1981, as appended in the Final Report of 23 November 1982, p. 78:69-70.
- (2) In 1984 Canadian impartiality was again tested when the government agreed to send an observer team for elections in El Salvador, but refused the invitation in the case of Nicaragua.
- (3) It must be noted that splits within the sub-committee, often along ideological lines, resulted in a flurry of dissents being appended to the main report. On at least one occasion the very existence of the committee was threatened.

It is for this reason that the Sub-committee recommends making Central America a region of concentration in Canada's foreign policy. Meanwhile, Canada should seek opportunities to promote dialogue between opposing forces when violence occurs.

Without anticipating the Contadora peace initiative, which did not begin until January 1983, the Report continued:

28. It is primarily at the international level that Canada should seek to promote stability by directly addressing security concerns. The mounting violence in Central America, which is threatening to engulf the entire region, arises primarily from internal causes. It is, however, reinforced and spread by the injection of outside ideological concerns and by the provision of military assistance to both repressive governments and revolutionary groups. Far from promoting stability, the policies of neighbouring countries tend to perpetuate and intensify instability.

29. The Sub-committee recognizes that Central America and the Caribbean are of vital importance to the United States and to the western alliance. Efforts should be made to protect these regions from super power rivalries. The independence of all countries should be respected and outside military involvement from whatever source should cease. In helping to promote this approach, the Sub-committee recommends that Canada call for a conference of representatives of all countries in the Americas to discuss security issues in the Caribbean and Central America.

Such a bold step would have been unlikely at best. The Canadian government had no desire to become more embroiled than it already was in the volatile politics of the Central American isthmus. The diplomatic losses might well outweigh the diplomatic gains, and it was arguable whether Canada had the diplomatic resources, depth, or expertise to play the role envisaged by the sub-committee. Nevertheless, the critics of Canadian policy in the churches, human rights groups, and in the media had made their point. Canada had been too much of a "fence-sitter" for too long. To be credible the government would have to do more to distinguish its objectives from those of U.S. policy in the region. At the same time, Conservative critics also called for Canada to maintain a higher profile, though their reasons had mostly to do with opportunities for trade and investment.

Members of Parliament and the government found themselves in the centre of an often highly-charged public debate over a region to which most had never before given a second thought.⁽¹⁾

CANADA KEEPS TO THE MIDDLE ROAD

During the 1980s successive Secretaries of State for External Affairs elaborated a Canadian policy on Central America which, though updated from time to time to take into account developments such as Contadora, (see next section) has not changed in its underlying principles. The Hon. Mark MacGuigan argued that, as elements of a wider solution to conflict in the region, these principles, forged in the crucible of controversy over the March 1982 Salvadoran elections, should include:

First, recognition that the problems of the region are rooted in social and economic questions;

Second, the urgent need to foster economic growth and social reform, the benefits of which must be distributed more widely amongst the populations. This, as I have said, is the heart of the problem;

Third, the right of each country to enjoy genuine independence, non-alignment and stability without the threat of outside interference, and;

Fourth, a recognition of hemispheric security needs and, in this connection, agreement to exclude the introduction of expeditionary forces and offensive weapons.⁽²⁾

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- (1) The incongruous yet surprising impact of this debate on a "bilateralist" Canadian foreign policy is reviewed at length in D.R. Murray, op. cit., p. 126-131.
 - (2) "Central America and Canadian Foreign Policy," 31 March 1982. This was the period of most intense Canadian media interest as reflected, for example, in the cover story in Maclean's "Central America at the abyss," 29 March 1982. The Canadian government was implicated by its support of the Salvadoran elections. Since then, the survival of a relatively "moderate, centrist" government under Christian Democrat Napoleon Duarte has allowed the spotlight to shift more to the CIA-backed covert war against the Sandinista regime in Nicaragua -- a U.S. policy from which Canada has scrupulously dissociated itself.

East-West rivalry was the effect not the cause of instability, which was in turn the product of "poverty, the unfair distribution of wealth, and social injustice." In regard to Western security interests and strategic linkage, MacGuigan stated:

I believe that the states in the region have the right to choose to follow whatever ideological path their peoples decide. I don't believe that when a country chooses a Socialist or even Marxist path it necessarily buys a "package" which automatically injects it into the Soviet orbit. This, I think, is where our views and those of the U.S.A. may diverge. The internal systems adopted by countries of Latin America and the Caribbean, whatever these systems may be, do not in themselves pose a security threat to this hemisphere. It is only when countries adopt systems which deliberately link themselves to outside forces or seek to destabilize their neighbours that a threat is posed. Canada has adopted a flexible approach in this regard. For example, we have not shifted our aid programs or our support because a régime has moved to the left in its internal affairs (...)

By taking approaches which equate left-wing régimes automatically with Soviet domination, we may bring about a self-fulfilling prophecy.(1)

In taking this very different line from the State Department on Nicaragua and Grenada, Canada's External Affairs establishment showed that it was very sensitive to charges that Canada had been too supportive of U.S. policy in El Salvador and in the Caribbean Basin generally. Apart from some direct assistance to the region on humanitarian grounds, Ottawa's inclination was towards a more diplomatically circumspect "hands-off" approach, or at most indirect involvement in third-party mediation efforts. In February 1983 in St. Lucia Prime Minister Trudeau repeated MacGuigan's cautions, noting: "We have consistently chosen to address hemispheric tensions from their economic and social causes, being equipped neither by ambition nor by capacity to pursue military solutions or grand strategic designs."(2) Canada, it seemed, was determined to keep its

(1) Ibid.

(2) "Notes for Remarks" to the Commonwealth Heads of Government Western Hemisphere Meeting, St. Lucia, 20 February 1983.

nose clean, and for the most part out of the domestic conflicts in Central America and the Caribbean. The surprise U.S. invasion of the Commonwealth island nation of Grenada in October 1983 was a diplomatic embarrassment for Canada, but it also underlined the real, largely self-imposed limits of this policy.

While Canada supported peace initiatives, democratic development, respect for human rights and international law in the region, it was not prepared to be drawn into the vortex of events as a protagonist or outspoken critic. The Canadian role was to be much more modest. As Edgar Dosman points out, the common goals shared by Canada and the U.S. were only at the most general declaratory level. In practice, each country was embarked on a radically divergent path. By perceiving its role as that of a minor "middle power" player, Canada hemmed in and qualified both its support of some U.S. goals and its criticism of U.S. methods. Under pressure the Central America "file" had had to be substantially upgraded within the Canadian foreign policy process. But there did not exist the institutional capacity within Ottawa or its tiny Central American outposts for the government to do much more than apply band-aids and wring its hands at the deteriorating economic and strategic situation.⁽¹⁾

By contrast, Washington was thinking big. In January 1984 the Kissinger National Bipartisan Commission on Central America released its report recommending a massive package of U.S. economic aid to the region. Specifically, the Commission urged the administration to triple current U.S. economic aid levels to Central America, spending \$8 billion by the end of the decade. Economic aid, the panel insisted, must complement a major increase in military assistance. It supported the Pentagon's proposal of

(1) Cf. Edgar Dosman, "Hemispheric Relations in the 1980s: A Perspective from Canada," Journal of Canadian Studies, 19:4, Winter 1984-85, p. 51 ff. Dosman notes that while "embarrassingly inadequate ambassadors have disappeared from the Latin scene, and the quality of federal personnel is now vastly improved ... the traditional low ranking continues to affect policy formulation, not only in the lack of an institutional memory, but also in critical areas of field weakness. In Central America ... the skills required for non-military, long-range strategic planning are present neither in Defence nor External." (p. 57.)

\$400 million military assistance for El Salvador in both 1984 and 1985 but a majority on the panel suggested that it be tied to El Salvador's human rights performance -- a link rejected by President Reagan. The Commission gave lukewarm support in principle to the Contadora peace process. Yet, the majority also endorsed military aid to anti-Sandinista forces seeking to overthrow the Nicaraguan regime.

Secretary of State for External Affairs Allan MacEachen gave Canada's reaction in a speech on 20 February 1984:

I welcome the commitment taken by the USA Administration, based on the Kissinger Commission, to address some of the basic problems of the region through economic support. In the case of El Salvador, I am encouraged by indications that the proposed conditionality of USA aid upon performance in the human rights field will stand. We are, however, concerned about the extent to which military aid is a major component of the Kissinger Proposals. In keeping with Canada's position against third party intervention in Central America and the supply of armaments to opposing factions, we oppose continued military support for anti-Sandinista insurgents just as we oppose the promotion of, and support for armed insurgency in El Salvador and Guatemala by outside powers.

We do not believe in military solutions for Central America. Moreover, we do believe that any attempt to impose military solutions will decrease rather than promote stability in the area. Militarization engenders political polarization. The militarization of Central America, whether of the left or of the right, has the consequence of weakening those moderate indigenous political forces which, in harness with Contadora, are indispensable if national reconciliation in these countries is to be secured.(1)

In the spring of 1984 Canada again sent observers to monitor the fragile electoral process in El Salvador. Despite its obvious flaws, this was seen as affirming Canada's support for ballot boxes over bullets. Critics, however, including the former Chairman of the parliamentary sub-committee on Latin America, wanted the government to abandon the cover

(1) Notes for a toast on the occasion of the visit to Ottawa of the Foreign Minister of Columbia, H. E. Rodrigo Lloreda Caicedo, Ottawa, p. 4.

of benign, indirect criticism and to take instead a direct stand against U.S. policy in the region, especially on issues such as the illegal CIA involvement in the mining of Nicaragua's harbours.(1) Interest peaked with the Hon. Allan MacEachen's tour of most Central American capitals and Colombia in April, the first such visit to the region by a Canadian foreign minister.(2) The primary objective was to test the adequacy and direction of Canada's policy in Central America. As MacEachen reported his findings to the Commons External Affairs Committee:

In general, Canadian policy was confirmed, particularly the requirements to encourage peaceful economic development, to support regional peace initiatives, to pay greater concern to the plight of refugees and to remain sensitive and responsive to the problems of poverty and the objectives of our aid programs ... I continue to believe that Contadora represents the only international instrument with the potential for reconciliation in Central America.(3)

Based on this appearance before the standing committee, Canadian official views on Central America at the close of the Trudeau years can be summarized as follows:

- Canada supports the basic objectives of U.S. policy in Central America, i.e., a stable, peaceful and democratic Central America but it sometimes differs with the U.S. over how these objectives might be best achieved.

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- (1) The former Chairman, Maurice Dupras, shattered the mood of quiet Canadian diplomacy when he spoke on "Canada's Political and Security Interests in Latin America and the Caribbean" at a Dialogue on Canada, the United States and Latin America sponsored by the Woodrow Wilson Centre for Scholars in Washington. (See the front-page report of the conference "U.S. Latin policy 'bloody shambles' Canadian MP says," Toronto Globe and Mail, 1 May 1984.)
 - (2) MacEachen's trip was subject to intense political pressure and scrutiny. In the address just cited, Mr. Dupras noted with satisfaction that although Canada had sent observers to the elections in El Salvador, that country was not included on the Minister's itinerary despite the urgings of U.S. Secretary of State George Shultz.
 - (3) Canada, Department of External Affairs, the Hon. A.J. MacEachen's statement to the Standing Committee on External Affairs and National Defence on his trip to Central America and Colombia, 3-13 April 1984, Ottawa, 10 May 1984.

- The Government believes that the roots of the instability in Central America lie in the historic failure of the Governments concerned to provide adequate social and economic benefits for the people and not because of any calculated political subversion by outside forces. However, outside forces have taken advantage of the current situation to support revolutionary groups and armed guerrillas, seeking to influence events in their favour and to promote their own interests.
- The Government believes that Central American nations such as El Salvador should be allowed to settle their political and economic difficulties peacefully and democratically without outside interference. It deplores equally violence from the Left and from the extreme Right.
- The Government does not believe that the problems in Central America can be resolved through military measures.
- The Government also strongly supports the traditional principle of international law which is one of opposition to any outside interference in the internal affairs of other countries and favours the withdrawal of all foreign forces and military advisors from Central America.
- The Government supports the Contadora Group initiatives and is prepared to play a role in promoting peaceful settlements in Central America if invited by the countries directly concerned.
- The Government believes that dialogue between the United States and Nicaragua and the United States and Cuba is necessary.(1)

One notes in the above the persistence of grey areas ("outside forces") and of a certain ambivalent detachment ("deplores equally") in regard to the conflicts. Canadian distaste for the region's violent ideological politics was most obvious in actions such as the suspension of aid to Guatemala and El Salvador. But it was also manifested more subtly in the official attitude towards Nicaragua, a country which remained, in D.R. Murray's phrase, an "enigma" for Canadian policymakers. Canada, having supported the democratic goals of the 1979 revolution, was increasingly concerned about the drift towards a Marxist-Leninist state. As Dosman remarks, "despite the rhetoric of ideological pluralism, Canadian policy toward Nicaragua has been cool and suspicious. ... a \$13 million credit for agriculture was not approved until after the disappointment of the Grenadian

(1) Cf. the document tabled before the committee, "Statements on Central America by the Deputy Prime Minister and Secretary of State for External Affairs, the Hon. A.J. MacEachen," Ottawa, 10 May 1984.

invasion and the Nicaraguan peace offensive in the autumn of 1983 ... Even though Prime Minister Trudeau called the mining of Nicaraguan harbours "an act of terrorism," he immediately stated in Parliament that the evidence of CIA involvement was not yet persuasive." Nicaragua still "deserved the benefit of the doubt," but this had to be balanced with concerns about the democratic process. In short, for reasons of 'realpolitik' as well as conviction, the government was treading carefully to avoid too much friction with the U.S. administration on an issue which, if no longer peripheral, was not deemed central to Canada's national interest.⁽¹⁾

Against this background of Canadian reticence, and the imminent departure of a prime minister known for his outspoken statesmanship, questions were raised about whether Canada would pull in its horns even more. With the coming to power of a Conservative government under Brian Mulroney in September 1984, there was apprehension that the desire for stronger relations with the United States might compromise the independence of Canada's position on Central America.⁽²⁾ This has not happened. The broad outlines of Canadian policy already in place did not shift to any significant degree. Indeed, the new Secretary of State for External Affairs, the Rt. Hon. Joe Clark, moved quickly to reassert Canada's internationalist tradition as a "moderating influence in a world beset by extremes." Canada indicated it was willing to increase its support for peacekeeping efforts in Central America. In his first major address Clark told the UN General Assembly on 25 September 1984:

Canada regrets the extension to Central America of East/West confrontation and the related militarization of the area. We applaud the initiative, skill and tenacity of the Contadora countries in their efforts to build a framework of reconciliation in the spirit of the U.N. Charter. We also welcome the opening of a direct dialogue between the USA and Nicaragua.⁽³⁾

(1) Dosman, "Hemispheric Relations in the 1980s," p. 55-6.

(2) Cf. David Morrison, "The Mulroney Government and the Third World," Journal of Canadian Studies, special issue, Winter 1984-85, p. 11-13.

(3) "Notes for a Speech to the 35th Session of the General Assembly of the United Nations," New York, 25 September 1984, p. 9.

Although the government declined to send observers to monitor the November 1984 elections in Nicaragua, a decision which was widely criticized, Joe Clark insisted that this "did not signal any change in Canada's relations with Nicaragua." He also welcomed receiving the views of Canadian NGO observers upon their return. The government maintained that conditions did not exist for free and open democratic elections.⁽¹⁾ At the same time it made clear that Canada would continue an active program of social and economic assistance to Nicaragua. After the Sandinista victory, Canadian Ambassador to Costa Rica Francis Filleul, criticized "the absence of an opposition party worthy of the name." Such conclusions were vigorously disputed by the coalition of church and human rights monitoring the elections in an unofficial capacity. In a comprehensive report released 28 November, they praised the electoral process while condemning Canada's lack of diplomatic representation in Nicaragua.⁽²⁾ Despite these sharply differing interpretations, relations between Canada and Nicaragua (described even by Ambassador Filleul as "rather cordial") did not appear to be threatened by the controversy over the elections and new rumours of a U.S. invasion.

Late in 1984 Mr. Clark announced the resumption of direct bilateral aid to El Salvador, most of which would go to programs for those displaced by the war. The government claimed an improvement in the human rights situation under President Duarte, and expressed support for his efforts to expand the elusive political middle ground in that country. This decision was again criticized by some opposition politicians, church and human rights groups. But it did not have the effect of moving Canada closer

(1) According to Liberal External Affairs critic Jean Chrétien this begged the question and was inconsistent with previous decisions to send official observers to elections in El Salvador. To many, Canada appeared to be acting merely out of deference to pressure from the Reagan administration, which had loudly condemned the Nicaraguan elections in advance in contrast to its support of disputed votes in neighbouring countries.

(2) "Nicaragua 1984: Democracy, Elections and War," Report of the six-person Canadian Church and Human Rights Delegation, Toronto, November 1984.

to U.S. policy. In fact in 1985 the divergence became more apparent than ever. In early May, during the Western Economic Summit in Bonn, President Reagan announced a full trade embargo against Nicaragua. After an initial moment of confusion, Canada put its opposing position on Nicaragua clearly on the record. External Relations Minister Monique Vézina stated on 2 May that Canada would maintain "normal commercial and diplomatic relations" and an increased aid program. Joe Clark noted Canada had "quite a deep disagreement with regard to the American approach to Central America," telling the House of Commons on 6 May that he had expressed this view to the U.S. Secretary of State Shultz "at length and vigorously." Also in the Commons, Prime Minister Mulroney declared that action such as the embargo was neither "in the interests of Canada nor consistent with our traditions."⁽¹⁾

In the wake of the embargo Joe Clark bluntly summed up the government's response to Washington's manoeuvres: "It's their policy, not ours."⁽²⁾ Indeed, while still reassuring the Reagan administration that Nicaragua would not be allowed to use Canada as a "short circuit" for importing American-made goods, Canada actively cooperated in the move of Nicaragua's North American trade office to Toronto. The political symbolism of this move clearly outweighed its economic significance. During 1984 Canada's trade with Nicaragua had increased by some 40% but Canadian exports to Nicaragua totalled only \$22.5 million (mostly in milk powder, wheat, rapeseed oil, fertilizers and medicine), while imports reached \$30 million (mostly frozen beef, coffee, bananas and shrimp). Since then growth in commerce has not been sustained, though not for political reasons. Canada's trade with all of Central and Latin America has been declining because of the severe foreign exchange crisis afflicting countries in the region. (See Part V of this paper.) Despite these poor economic prospects it is immediately obvious why Nicaragua, in the light of the constant U.S. accusations of Communist "totalitarianism," views Canada as a valuable and symbolically important trading partner.

(1) See the reports on Nicaragua and Central America in the "International Canada" supplement to International Perspectives, various issues.

(2) "Canada to maintain aid to Nicaragua," Toronto Globe and Mail, 2 May 1985.

During an official visit to Central America in June 1985, External Relations Minister Monique Vézina duly noted Canada's "neutralist" position and concern for democratic "pluralism." At the same time she reiterated the fundamental differences between the Canadian and U.S. approaches, especially in regard to Nicaragua. Canada would not be dissuaded from providing assistance because of American pressure. On the contrary, Canada was looking to build on the relationship. While in Managua, Ms. Vézina announced the extension of a further \$11 million line of credit. Since 1980 Canada has allocated \$42 million of development assistance to Nicaragua -- \$19 million of that since September 1984. This support has not gone unnoticed in U.S. circles. The Washington-based Council on Hemispheric Affairs, which had frequently chastised Canada for being too timid on Central America, issued a lengthy news release just prior to the second Mulroney-Reagan summit lauding recent government policy on Nicaragua.⁽¹⁾

Strong Canadian opposition to U.S. military aid to anti-Sandinista rebels has made it easier for the government to chart its own course on relations with Central American countries. The contrast with the violent rhetoric and hardline tactics of Washington gives one a new appreciation of the moderate, restrained tenor of discussions in Ottawa. As Conservative M.P. David Kilgour explained: "We lack both the means and the inclination to be Central America's 'policeman.'"⁽¹⁾ Very few Canadians

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- (1) Previous assessments by the liberal Council tended to dismiss Canadian policy as irrelevant. However, the growing gulf between Canadian and U.S. approaches in Nicaragua is becoming a significant asset to opponents of the Reagan doctrine. The Council's March 1986 statement was released in conjunction with a press conference given by two prominent members of a Canadian Central America support group "Mission for Peace," Maurice Dupras, former chairman of the House of Commons Subcommittee on Latin America, and Major-General Leonard Johnson (Ret.), a former Associate Deputy Minister of Defence.
- (2) Canada and Latin America, " International Perspectives, January/February 1986, p. 21. This statement was made while Mr. Kilgour was Parliamentary Secretary to the Minister for External Relations. For a succinct appraisal of the contrary strong-arm lobby in Congress for massive aid to counter revolution in Central America, see William LeoGrande, "The United States and Latin America," Current History, January 1985, p. 1-4 and 40-42.

would disagree with this "anti-interventionist" stance. Yet many Canadians also see "anti-intervention" in U.S. not Canadian foreign policy terms. Indeed, they would like to see Canada become more active in the region. And despite some positive developments in Canada-Nicaragua relations, official Ottawa's "quiet diplomacy" on Central America has still not satisfied many critics who contend that the government should be more forceful in publicly outlining its opposition to U.S. policies in the region. Another major theme which surfaces repeatedly in debates on Central America policy is that of insufficient Canadian diplomatic representation in the region. In particular, there have been calls for the establishment of an embassy in Nicaragua, one of the main arguments being that we need a better local source of information and base for independent action. The standard argument against has been budget constraints, followed by the fact that Canada also does not have embassies in El Salvador with twice the population, in Honduras, which is a "core" country for funding from the Canadian International Development Agency, or in Panama, where our commercial prospects are brightest.

In its role opposite to that of the United States, Canada has been criticized for doing too little and for speaking too softly. The Canadian government has been only partially successful in trying to strike a posture of "neutrality" in a situation marked by extreme ideological polarization. Frequently Ottawa has been forced to react to fast-moving events beyond its control, knowing that it lacks analytical capacity in respect to Central American affairs and that the outcome of any influence attempts cannot be predicted with confidence. The government also knows that its degree of leverage in Washington is very limited and that viable solutions to the problems of Central America cannot be imposed from the outside. Yet as the debate intensifies in Washington, Canada will have no choice but to elaborate its position further. The government may be compelled to speak out more boldly than it has been prepared to do in the past.

CANADA AND THE CONTADORA PEACE INITIATIVE

Canada's role in peacekeeping operations has become one of the mainstays of Canadian foreign policy. Yet, until recently, Canada has

not been much involved in responding to hotbeds of tension in countries in its own hemisphere. Canada has resisted full membership in the Organization of American States (OAS), despite the urgings of Washington and most Latin American capitals, as well as the recommendation of a House of Commons committee in 1982.⁽¹⁾ However, neither the OAS nor any of the other established international organizations has had much success in moderating inter-American conflicts. This has led to a search for alternative regional channels for negotiating demilitarization and peaceful coexistence, specifically in the case of Central America it has led to the Contadora process to which we now turn.

Contadora takes its name from the Panamanian island where the foreign ministers of Mexico, Venezuela, Colombia, and Panama first met on 8-9 January 1983 with the aim of bringing about a peaceful reconciliation of the Central American conflicts (i.e., those involving Nicaragua and its neighbours) and the removal of all foreign forces from the area. The Contadora group called for: (1) an end to foreign interventions and the withdrawal of foreign military personnel, (2) the suspension of all foreign military aid, (3) political negotiations to end the civil war in El Salvador, (4) a diplomatic resolution to the Nicaraguan border conflicts provoked by the "Contra" guerrillas fighting the Sandinista regime. In September 1983 the Contadora countries issued a more detailed 21-point Document of Objectives which in addition to the above also called for greater regional economic cooperation, development and integration. This first outline of a regional peace plan gained broad agreement in principle.

On 8 January 1984 the Contadora foreign ministers conferred with the foreign ministers of the five other Central American countries (the conflict states) to jointly hammer out ways to achieve a cessation of

(1) While the question of OAS membership has been a persistent object of controversy and conflicting testimony, it has never been high on the government's agenda. The parliamentary committee's recommendation was by a bare majority only. The Department of External Affairs has been cool to the idea and the Green paper simply asked "Where do Canadians stand on this issue?" If the hearings of the Special Joint Committee on Canada's International Relations are any indication, few if any Canadians see the OAS as an appropriate vehicle for the exertion of Canadian interests in the region.

hostilities and other common objectives. The final document of the conference dealt with a number of political, economic, and security matters: military disengagement, arms control agreements and verification procedures, elimination of trans-border subversion, national reconciliation, establishing the conditions for free and fair elections, more trade and investment, and greater integration of the Central American economies.

The January 1984 conference also created three commissions whose duties included "the preparation of studies, legal briefs, and recommendations that develop the areas of security, political and socio-economic affairs, and proposals for the verification and supervision of compliance with the agreed measures."

The Contadora efforts quickly received support in Western Europe, Canada and from South American countries such as Brazil and Argentina, both recently returned to civilian rule. In Canada's case, External Affairs Minister Allan MacEachen authorized officials of his department to consult with the three working commissions or study groups of Contadora that were to examine the political, socio-economic, and security aspects of any general agreement. A concrete offer of Canadian assistance, "once political consensus had been reached," was made in a 20 February 1984 statement on the occasion of the visit to Canada of the Colombian foreign minister. In the area of security there was some thought that part of the Canadian assistance might take the form of a peacekeeping force, although this suggestion was rejected by Mexican President Miguel de la Madrid during a visit to Ottawa in May 1984.

During his Central American tour in April 1984, MacEachen had outlined Canadian frustrations with the slowness of the process:

In my discussions it was mentioned in every country the possibility that Canada might help at a certain stage, particularly in the field of verification and arms control if there developed an agreement on arms control or arms limitation but nobody was able to tell us yet what we might be able to do and they don't know themselves yet how we may be able to help, so no request was made to us.(1)

(1) "Prospects Look Poor for Peace," Winnipeg Free Press, 23 April 1984.

Understandably, the Contadora group felt that support from the United States would be essential for their initiative to succeed. Yet only vague, lukewarm support was forthcoming. The Kissinger Commission endorsed the initial 21-point Contadora declaration, but then also recommended more outside military aid and continued support for the CIA-backed Contras. The Reagan administration did not seem anxious to accept any of the specific proposals or documents put forward by the group.

Despite the uncertainties of the negotiating process and the growing confrontation between the United States and Nicaragua, a draft peace treaty was prepared by the Contadora group in June 1984 and a revised version issued in September 1984. The draft treaty or "Acta" provided for closure of foreign military bases and training facilities within six months and allotted 30 days for countries to furnish details of military advisers or "foreign elements" taking part in military activities. The treaty also provided for the establishment of a verification and control commission in the military and security spheres. Other provisions included a ban on international military manoeuvres and immediate negotiations on the control and reduction of present arsenals; a ban on the introduction of new weapons systems; arms limitations on the basis of a country's size, population and gross domestic product; and the ending of arms supplies to persons, organizations, irregular forces or armed bands who seek to destabilize governments.

In a surprise move, Nicaragua agreed to sign the draft treaty almost as soon as it was made public in September 1984. The European Economic Community (EEC) urged the parties to reach a speedy conclusion on a peace agreement. However, the Reagan administration, which had publicly endorsed the Contadora process, quickly raised objections to the draft treaty when Nicaragua announced its endorsement. Honduras, Costa Rica and El Salvador, after initially endorsing the plan in principle, also raised objections and demanded revisions. The countries then drafted their own Act of Tegucigalpa in October 1984, which was immediately rejected by Nicaragua.

Canada took a positive but cautious approach to the September Acta. While the government had consistently opposed any outside military

intervention in the region, it also did not want to take sides against the position of the United States and its Central American allies. External Affairs Minister Joe Clark indicated that Canada would continue to cooperate actively with Contadora. But Canada also raised a number of technical concerns of its own about the original draft treaty, chiefly regarding the structure of the proposed commission of verification and control (CVC) and the implementation of subsequent compliance procedures.⁽¹⁾

The various objections to the treaty became the subject of lengthy negotiations into 1985 without a satisfactory resolution being reached. A summit on the treaty proposed by Contadora for February 1985 had to be cancelled because several countries (El Salvador and Costa Rica were the holdouts) insisted on preconditions for their attendance. By late February Nicaragua's deputy foreign minister Victor Tinoco was saying that, as far as his government was concerned, because of the hostility of the U.S. and its clients to an early political settlement, the Contadora peace process was "dead".⁽²⁾

Despite such pessimistic and premature obituaries, it should not be forgotten that Contadora had some modest successes. For example, in mid-May 1984, at a meeting sponsored by Contadora, the Nicaraguan and Costa Rican foreign ministers signed an agreement creating a joint "Commission of Supervision and Prevention" to resolve border conflicts caused by the presence of anti-Sandinista guerrillas. The Costa Rican foreign minister stated at the time that the accord strengthened the "whole concept of solving Central America's problems through Contadora."⁽³⁾ Clearly, a

(1) For a good review of the Canadian position in these negotiations see the special series of articles by Paul Knox in the Globe and Mail, 7, 8 and 10 December 1984. Canada's reservations annoyed critics who wanted the government to be more forthright. They claimed the government was still "fence-sitting through succeeding crises" and merely offering "lame rhetorical support." (Cecilio Morales, "A Canadian Role in Central America," International Perspectives, January/February 1985, p. 12-15.)

(2) Quoted in the The Citizen, Ottawa, 26 February 1985.

(3) New York Times, 17 May 1984.

comprehensive agreement on security matters would be much more difficult to achieve. Clearly, too, the willingness of all parties to eschew military approaches in favour of pursuing diplomatic settlements via political negotiations would be crucial.

In regard to U.S.-Nicaragua relations, a potential breakthrough seemed to come in June 1984 when the American Secretary of State George Shultz made a surprise visit to Managua. Some bilateral discussions took place, but obviously there was not sufficient movement on either side, as the Reagan administration continued its policy of support for the Contras seeking an armed overthrow of the Sandinista government. Bilateral talks were suspended by the U.S. in January 1985, leading the focus back to Contadora as the only remaining forum for joint discussions. In April 1985 an agreement in principle was reached on revised verification procedures involving concessions by both Nicaragua and the Central American drafters of the Tegucigalpa Act. At the time Canada again indicated its willingness to study an invitation, should it be forthcoming, to participate in an eventual monitoring process. In early June 1985 External Relations Minister Monique Vézina reaffirmed Canadian support for the Contadora proposals. However, the negotiations bogged down again in the summer of 1985.

As part of any peace treaty Nicaragua would prefer to conclude a series of bilateral security arrangements separate from the contentious issues of internal democratization and reconciliation. On these issues the American and Nicaraguan positions have been diametrically opposite. The United States has been arming the Contras, whereas Nicaragua refuses to concede that its domestic and armed opposition should have any place in a political settlement. The Reagan proposals of 1985, which combined a request for more aid to the Contras with a call for a cease-fire and talks between the Nicaraguan government and the rebels, were a non-starter. They failed to receive sufficient support in the Congress and were unacceptable in Contadora terms. While there are important differences in the foreign policies of the Contadora countries (e.g., Mexico, has been much more supportive of the Sandinista regime), members of the group share the conviction that U.S. military intervention in the region jeopardizes the

pursuit of security and other Western political objectives which they share with the Americans.(1)

Throughout the difficulties of 1985 Canada offered continued support for the Contadora peace initiative. On 23 August 1985, External Affairs Minister Joe Clark issued a statement of encouragement to the newly-formed Lima Support Group (consisting of Brazil, Peru, Argentina and Uruguay) which was created to provide moral and perhaps concrete support at a later date to the Contadora process. Following a meeting of the support and Contadora groups in late August 1985, the Colombian foreign minister announced that the consulting nations were close to agreement on Canadian verification of any implementation of the Contadora peace proposals. While Canada never received an official request for involvement in an observer team, Canada was clearly recognized for its expertise in peacekeeping operations. Based on this experience and at the request of Contadora, the Canadian government has continued to provide comments and advice on the establishment of appropriate control and verification mechanisms for any Central American peace agreement. In the fall of 1985 a Canadian delegation of academics, labour representatives and former government officials returned from a Central American fact-finding mission to make several recommendations for increased Canadian support for Contadora, including: financial assistance toward verification and supervision in any peacekeeping process; the creation of a permanent liaison between Canada and the Contadora group; and the appointment of a roving ambassador in the region.(2)

As 1985 drew to a close, there was little good news to report. Relations between Nicaragua and the United States and its Central

(1) For further analysis see Susan Purcell, "Demystifying Contadora," Foreign Affairs, Fall 1985, p. 74-95 and Tom Farer, "Contadora: The Hidden Agenda," Foreign Policy, Summer 1985, p. 59-72. The strain which the continuing impasse has put on Mexican foreign policy in particular is reflected in recent articles by Jorge Castaneda, "Don't Corner Mexico," Foreign Policy, Fall 1985, p. 75-90 and Carlos Fuentes, "Storm Warnings," Canadian Forum, November 1985, p. 6-10.

(2) As reported in International Perspectives November/December 1985, International Canada Supplement, p. 6. A useful review of the Contadora context and options at this juncture is the Conference Report by Liisa North et al., for the Canadian Institute for International Peace and Security, Negotiations for Peace in Central America, Proceedings of the Roundtable held in Ottawa, 27-28 September 1985.

American allies had not improved. After several years of laborious negotiations, patience was wearing thin. More seriously, from the point of view of the momentum behind the process, the two most activist Contadora countries, Mexico and Colombia, were seen to be pulling back their involvement because of preoccupation with severe domestic crises. In early December 1985 the Contadora group gave itself until the end of the month to produce an agreement on security issues, the major remaining stumbling block in the revised peace treaty. If there was still no progress, the group would end its efforts. However, it was agreed soon after, at the request of Nicaragua, to suspend all negotiations for five months because of the uncertainty created by elections in Guatemala, Honduras and Costa Rica. Some observers, such as Jorge Castaneda, a former adviser to the Mexican government and now with the Carnegie Endowment for International Peace, argued that the Contadora peace initiative had run its course. This prognosis had been made before and been proved wrong. Yet the situation was becoming extremely delicate. 1986 was shaping up as a make or break year for Contadora.

Early in the new year a break did come that revived, at least temporarily, the Contadora initiative. The Guatemalan election had produced, after three decades of military rule, a civilian president, Christian Democrat Vinicio Cerezo, sympathetic to renewed political negotiations with Nicaragua. At the January ceremonies marking his inauguration, the question of how to get Contadora back on track was uppermost in the minds of many of the Latin American emissaries present for the occasion. Also in January, the foreign ministers of the Contadora and Lima Support groups met in Venezuela where they produced the "Caraballeda Message" outlining once again the basic principles of a regional peace plan aimed at ending foreign military intervention and guerrilla warfare while respecting each country's sovereignty and right of self-determination. On 10 February 1986 eight foreign ministers took their message directly to Washington where they met with Secretary of State George Shultz. As recently as the previous December Mr. Shultz had told an OAS meeting that the United States had no intention of resuming talks with Nicaragua. The Reagan administration was also preparing to ask Congress for an additional \$100 million in aid for the

Contras. On both of these points the Latin American diplomats put the case as forcefully as they could for a reversal of U.S. policy. Although they received a cool reception, they demonstrated that Contadora could still exert considerable international pressure on the principal antagonists to reach a negotiated rather than a military solution.

Another important breakthrough came in mid-March 1986 when Nicaragua and Costa Rica, also under a new president, agreed to establish a permanent border commission which would include inspectors chosen from the eight countries of the Contadora and Lima groups. This was the first really solid accord of the three-year peace process and a blow to the cause of the Contra guerrillas. Nicaragua said it was encouraged to seek a similar accord with Honduras, although tensions rose again in late March when Nicaraguan forces apparently entered Honduras territory during a counter-insurgency operation. The festering Contra issue clearly constitutes the biggest stumbling block to further progress. In April new talks in Panama involving 13 foreign ministers broke down over Nicaragua's insistence that U.S. aid to the Contras be stopped before it could agree to a 6 June deadline for signing a peace treaty. Nicaraguan president Daniel Ortega did, however, leave the door open for further negotiations. President Reagan has sent his "special envoy" Philip Habib to the region, and diplomats gathered for the inauguration of Costa Rican President Oscar Arias in early May were expressing cautious optimism.

The Contadora process remains very much alive, if not quite well. Canada, as before, stands poised to help; mindful of the clear limits to any intervention from outside the region; mindful also that Contadora is the only international body attempting to find a political solution to the Central American conflicts. This fact makes Canadian support imperative. However, the shape of any eventual Canadian participation in a security commission or peacekeeping operation is still very vague. The Green Paper speaks optimistically of sharing our expertise, but also warns that "the political problems and financial costs can be considerable." For the foreseeable future at least, Canada will likely stay on the sidelines rather than move to the frontline of mediation efforts.

CANADA'S ROLE IN ECONOMIC DEVELOPMENT, TRADE AND AID

In the North American mind the Central American countries give rise to the image of the "banana republic" in which political strongmen

and rich landowners rule over stagnant, impoverished economies tied to a few export crops. This image is no longer very helpful. The current crisis is in fact one of development, not stagnation. The political "earthquake" of 1979 did not just happen. It was prepared by a "revolution of rising expectations" based on rapid and sustained economic and social expansion. "Between 1950 and 1978, the Central American republics registered a 5.8 percent annual rate of economic growth, during which time real per-capita income doubled, exports diversified, and there was a significant growth in manufacturing, due largely to the creation in 1960 of a Central American Common Market (CACM). Moreover, meaningful progress was made in health and education: between 1960 and 1977 the number of physicians doubled at a rate twice as fast as the population, and the number of nurses six times as fast. Adult literacy during roughly the same period nearly doubled from 44 to 77 percent, and the number of secondary students as a percentage of their age group increased from 12 to 29 percent." Modernization and improvements in public health unleashed a "demographic earthquake." Between 1950 and 1980, the region's population tripled so that today half are under the age of 15.(1)

Yet after several decades of apparent progress in the early 1980s it was estimated that over 40% of the population of Central America remained in "extreme poverty." Development often exacerbated inequalities and exposed areas of critical institutional weakness. The conflict between economic growth and outdated social structures was especially serious in Guatemala, El Salvador and Nicaragua, and was compounded at the end of the '70s by "the impact of a global recession on small, open, dependent economies." (2) Despite efforts at diversification and integration within a common market arrangement, these economies did not reduce their

(1) Mark Falcoff, "How to Understand Central America," Commentary, September 1984, p. 31. See also the annual reports of the World Bank (IBRD) and the Inter-American Development Bank (IDB).

(2) Ibid. The Report of the Kissinger Commission noted particularly sharp GDP per capita declines from the peak years (1977-80) through 1983: Nicaragua (-38%), El Salvador (-35%), Costa Rica (-23%), Guatemala (-14%), Honduras (-12%).

vulnerability to foreign trade cycles. The pattern has remained one of export-led growth. Coffee and bananas continue to dominate foreign exchange earnings in all republics. Along with sugar, cotton and beef these export crops account for between 50% and 65% of total earnings. Three principal export markets account for over 75% of the value of commodity trade for the region as a whole; over 80% in the case of El Salvador and Honduras.⁽¹⁾

Canada's trade with Central America, which was growing until the beginning of this decade and which recovered somewhat after 1982, is being adversely affected in the mid-1980s by a further decline in export prospects due to poor economic conditions and continued political instability. (See the tables which follow.) As a proportion of Canada's overall trade, trade with Central America is miniscule: exports to the six countries declined from 0.2% of total domestic exports in 1970 to 0.1% in 1983; imports remained at 0.3% of all imports over the same period. Canadian investment in Central America is also a tiny percentage of total investment abroad.

Table 1

CANADIAN TRADE WITH CENTRAL AMERICAN COUNTRIES 1975-1985
(\$ millions)

	<u>Average</u> <u>1975-80</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Guatemala</u>						
Canadian exports to	19.0	17.7	34.0	15.3	21.5	16.8
Canadian imports from	<u>20.9</u>	<u>35.8</u>	<u>23.1</u>	<u>20.8</u>	<u>36.3</u>	<u>26.1</u>
Total trade	<u>39.9</u>	<u>53.5</u>	<u>57.1</u>	<u>36.1</u>	<u>57.8</u>	<u>42.9</u>
(Surplus/Deficit)	(- 1.9)	(-18.1)	(+10.9)	(- 5.5)	(-14.8)	(- 9.3)

(Cont'd)

(1) See the excellent analysis by Victor Bulmer-Thomas, "Central American Integration, Trade Diversification and the World Market," in Irvin and Gorostiaga, Towards an Alternative for Central America and the Caribbean, p. 194-212. Reviving the largely moribund Central American Common Market has been one of the objectives of Contadora, though there is little immediate prospect that regional economic renewal can be accomplished through this route.

Table 1 (Cont'd)

CANADIAN TRADE WITH CENTRAL AMERICAN COUNTRIES 1975-1985
(\$ millions)

	<u>Average</u> <u>1975-80</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>El Salvador</u>						
Canadian exports to	13.2	17.9	14.2	18.6	15.8	15.1
Canadian imports from	16.5	24.9	20.9	35.0	25.0	35.6
Total trade	<u>29.7</u>	<u>42.8</u>	<u>35.1</u>	<u>53.6</u>	<u>40.8</u>	<u>50.7</u>
(Surplus/Deficit)	(- 3.3)	(- 7.0)	(- 6.7)	(-16.4)	(- 9.2)	(-20.5)
<u>Honduras</u>						
Canadian exports to	13.9	20.8	15.3	11.3	31.5	14.1
Canadian imports from	24.7	34.8	28.5	35.8	30.5	20.9
Total trade	<u>38.6</u>	<u>55.6</u>	<u>43.8</u>	<u>47.1</u>	<u>62.0</u>	<u>35.0</u>
(Surplus/Deficit)	(-10.8)	(-14.0)	(+13.2)	(-24.5)	(+ 1.0)	(- 6.8)
<u>Nicaragua</u>						
Canadian exports to	7.4	15.7	15.6	15.9	22.5	18.4
Canadian imports from	14.6	52.0	26.6	32.3	45.3	25.6
Total trade	<u>22.0</u>	<u>67.7</u>	<u>42.2</u>	<u>48.2</u>	<u>67.8</u>	<u>44.0</u>
(Surplus/Deficit)	(- 7.2)	(-36.3)	(-11.0)	(-16.4)	(-22.8)	(- 7.2)
<u>Costa Rica</u>						
Canadian exports to	22.9	22.0	15.9	21.9	21.3	21.0
Canadian imports from	28.4	38.5	32.3	62.5	38.6	41.3
Total trade	<u>50.3</u>	<u>60.5</u>	<u>48.2</u>	<u>84.4</u>	<u>59.9</u>	<u>62.3</u>
(Surplus/Deficit)	(- 5.5)	(-16.5)	(-16.4)	(-40.6)	(-17.3)	(-20.3)
<u>Panama</u>						
Canadian exports to	22.2	38.4	36.4	29.6	36.6	52.5
Canadian imports from	18.6	25.2	18.3	46.5	39.5	23.4
Total trade	<u>40.8</u>	<u>63.6</u>	<u>54.7</u>	<u>76.1</u>	<u>76.1</u>	<u>75.9</u>
(Surplus/Deficit)	(+ 3.6)	(+13.2)	(+18.1)	(-16.9)	(- 2.9)	(+29.1)
<u>All Central America</u>						
Canadian exports to	98.6	132.5	131.4	112.6	149.2	137.9
Canadian imports from	123.7	211.2	128.8	232.9	215.2	172.9
Total trade	<u>223.3</u>	<u>343.7</u>	<u>260.2</u>	<u>345.5</u>	<u>364.4</u>	<u>310.8</u>
(Surplus/Deficit)	(-25.1)	(-78.7)	(+ 2.6)	(-120.3)	(-66.0)	(-35.0)

Source: Statistics Canada and the Caribbean and Central America Trade Development Division, Department of External Affairs. All figures have been rounded off to the nearest decimal point.

Table 2

CHANGE IN MARKET SHARE BY COUNTRY 1975-1985
(% of Regional Total*)

	<u>Average</u> <u>1975-80</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Guatemala</u>						
Canadian exports to	19.3	13.3	25.9	13.6	14.4	12.2
Canadian imports from	16.9	17.0	17.9	8.9	16.9	15.1
Total trade	17.9	15.6	21.9	10.4	15.9	13.8
<u>El Salvador</u>						
Canadian exports to	13.4	13.5	10.8	16.5	10.6	10.9
Canadian imports from	13.3	11.8	16.2	15.0	11.6	20.6
Total trade	13.4	12.5	13.5	15.5	11.2	16.3
<u>Honduras</u>						
Canadian exports to	14.1	15.7	11.6	10.0	21.1	10.2
Canadian imports from	20.0	16.5	22.1	15.4	14.2	12.1
Total trade	17.4	16.2	16.8	13.6	17.0	11.3
<u>Nicaragua</u>						
Canadian exports to	7.5	11.8	11.9	14.1	15.1	13.3
Canadian imports from	11.8	24.6	20.7	13.9	21.1	14.8
Total trade	9.9	19.7	16.2	14.0	18.6	14.2
<u>Costa Rica</u>						
Canadian exports to	23.2	16.6	12.1	19.9	14.3	15.2
Canadian imports from	23.0	18.2	25.1	26.8	17.9	23.9
Total trade	22.6	17.6	18.5	24.4	16.4	20.0
<u>Panama</u>						
Canadian exports to	22.5	30.0	27.7	26.3	24.5	38.1
Canadian imports from	15.0	11.9	14.2	20.0	18.4	13.5
Total trade	18.4	18.5	21.0	22.0	20.9	24.4

Canada is running balance-of-trade deficits with all of the Central American countries except Panama. (These figures are for merchandise trade and therefore do not include consulting and construction services. Other components in the overall balance of payments -- tourism, investment earnings, interest and loan repayments, etc., are not very significant.)

* Note: Percentages are approximate and may not add up to 100.

Panama is unique in being a major international centre for financial services and wholesale distribution to other Latin American and Caribbean countries. The facts that Panama operates on the U.S. dollar and contains a large free-trade zone contribute to making that country the one relatively bright spot for Canadian exporters. For the region as a whole, our exports have been concentrated in newsprint and paper products, automotive parts, transportation and communications equipment, hydroelectric development, potable water systems, mining, machinery, medical supplies, fertilizers and some food products. Imports from Central America are concentrated on primary commodities -- bananas, coffee and other food products, metals and a few manufactures.

Since further economic deterioration can be expected in Guatemala, El Salvador, Nicaragua and Honduras, trade prospects are also bleak. Honduras is second only to Haiti as the poorest country in the hemisphere. The other three countries have suffered enormous damage and loss of productivity from civil strife which has claimed tens of thousands of lives. Throughout the isthmus poor commodity prices, weak export markets and rising external debts have hurt investment and made already shaky regimes desperate for new sources of capital. Loans and credits, whether in the form of bilateral aid or through the multilateral development banks, have become essential just to avert economic collapse. Yet Guatemala, El Salvador and Nicaragua are especially regarded as poor risks, and they have been unable or unwilling to agree to austerity bail-outs on the terms set down by the International Monetary Fund (IMF). Costa Rica's financial condition also reached crisis proportions in 1982, but after several painful years that country succeeded in negotiating a rescue package with the IMF. In Nicaragua, the war against the Contras and the U.S. embargo on trade and development assistance have taken a heavy toll, on top of the foreign exchange squeeze inherited by the Sandinistas when the former dictator Somoza fled leaving behind bad debts and a bankrupt national treasury. Recently, Canada lifted a quota restriction on beef imports from Nicaragua. But small trade measures like these, though helpful, cannot obscure the fact that massive aid will continue to be needed for economic recovery in these countries.

Not surprisingly, the U.S. government has made a much greater financial commitment to Central America than has Canada. Following the launch of President Kennedy's "Alliance for Progress," Washington spent about \$2 billion in aid to the region during the 1960s and '70s. Under President Reagan's Caribbean Basin Initiative (CBI) even greater sums were contemplated in the early 1980s. But the CBI excluded Nicaragua and included huge amounts of assistance to the government of El Salvador and other military allies in the region. While Canada's presence has been much smaller, Ottawa's policy of continued trade with and increased aid to Nicaragua is in vivid contrast to the sanctions imposed by Washington. Canada's reserved reaction to the CBI and the Kissinger Commission proposals underlined the fundamental divergence between the Canadian and U.S. approaches. Canada supports increased economic aid, but without the ideological and strategic agenda behind the CBI.

In approving new aid initiatives, Canadian policy has remained faithful to the terms of a multilateral agreement reached at a meeting in Nassau in July 1981 which stated that "there are significant advantages to an economic and social development approach without military considerations or political preconditions."⁽¹⁾ Canada has also had its own mini-version of the CBI. In January 1981, Canada announced its intention to double its total aid flows to the Commonwealth Caribbean to a total amount of \$350 million by 1986. This was followed by an announcement, in February 1982, of its intention to allocate up to \$106 million to the countries of Central America over the 1982-87 period. This compared to total aid spending in Central America of only \$60 million over the previous decade (1972-1982).

During the period 1980-83, Canada's contribution to the Caribbean Basin area amounted to approximately \$216.3 million. This was made up of approximately \$130 million for the Commonwealth Caribbean, \$50.9 for the Central American countries (Honduras - \$15.1 million;

(1) The meeting brought together the foreign ministers of Canada, Mexico, Venezuela and the United States to discuss measures to revive the sagging fortunes of the Caribbean Basin economies.

Nicaragua - \$12.5 million; El Salvador - \$10.3 million; Guatemala - \$6.8 million; Costa Rica - \$4.8 million; Panama - \$1.4 million),⁽¹⁾ \$30.5 million for Haiti and \$4.9 million for the Dominican Republic. In addition, 98% by value of all Canadian imports from the Caribbean Basin area were already admitted duty free or given preferential access to Canadian markets.

Canada's increased commitment to Central America reflected the view that inadequate social and economic development is the main cause of the current dangerous political and military instability in the area. Support given by Canada to the countries of Central America was not intended to penalize or to reward on the basis of political complexion. However, the line was drawn where there were persistent and massive abuses of human rights. In the case of El Salvador and Guatemala, the planning of all direct bilateral aid projects with either government was suspended as a result of the internal security situation and its effects on human right and the difficulty of delivering aid programs in these countries. Purely humanitarian assistance continued to be provided through non-governmental and international organizations to help meet the growing needs of the victims in these countries. Again in sharp contrast to U.S. policy, Canada took an important lead in offering to accept more refugees.⁽²⁾ In 1982, the "quota" for Latin America was increased to several thousand annually. Canada also established a special program for amnestied political prisoners

(1) Department of External Affairs, Press Release, Ottawa, 29 August 1983. The sums for Honduras, Guatemala and El Salvador include the end stages of commitments made in the 1977-1981 period, while the Nicaraguan figure reflects a start-up of projects and operations in 1980 that included normal initial delays. Assistance to Nicaragua consisted mainly of food aid (\$4.5 million) and the non-governmental organizations program (\$4.7 million).

(2) The U.S. Immigration Service has deported as "illegal aliens" thousands of Central Americans fleeing political repression and poverty in their homelands. The "Sanctuary" movement which acts as an "underground railroad" for these refugees has been repeatedly harassed and subjected to criminal prosecution. Political asylum is regularly granted only from Nicaragua (and, of course, Cuba). Canada's much different refugee policy has probably earned enemies among right-wing groups in the region. In September 1985 a Canadian diplomat was attacked by unknown gunmen in Guatemala City.

from El Salvador. Of the 2,000 refugees from Latin America accepted by Canada in 1983, 75% were Salvadorans. In addition, Canada contributed \$3 million to the United Nations High Commissioner for Refugees (UNHCR) to help settle refugees in long-term or temporary camps throughout Central America.⁽¹⁾ In 1985 the Mulroney government increased Canada's target for the permanent settlement of political refugees from Latin America to 3,000, out of a global total of 11,000.

Canada's official development assistance (ODA) to Central America is now targeted at about \$160 million for the period 1985-1989, the largest recipients being Honduras, Nicaragua and Costa Rica. The following tables give an overview of Canadian aid flows to Central America during this decade.⁽²⁾ Table 3 considers government-to-government aid under CIDA's bilateral program up to 1985, beginning with the fiscal year in which the Nicaraguan revolution occurred. Table 4 reviews total ODA disbursements to the region, including embassy funds (MAF) and grants for projects by non-governmental organizations (NGOs) and the private sector. Table 5 compares government-to-government flows for the current fiscal year, the fiscal year just past, and the last fiscal year for which complete data are available. Canadian aid to Central America remains a very small percentage of both CIDA's bilateral budget and of total ODA which should reach \$2.3 billion in 1986-87. Moreover, for obvious reasons delivery of much of this aid reflects the difficulties and uncertainties of the environment in these countries. Delays in planning and execution are normal, especially in the case of large projects involving more than one country. In assessing year-over-year fluctuations, it should also be borne in mind that funding commitments are usually spread over three to four or more fiscal years.

(1) Most refugee cases are handled through our embassy in Guatemala City. For a firsthand report see Steve Lucas, "The Gatekeeper," Saturday Night, June 1984, p. 28-40.

(2) For additional detailed critical analysis see also the recent document published by the Latin American Working Group (LAWG), "Overview of Canadian Aid to Central America 1980-1985," LAWG Letter, Vol. IX, No. 3, Toronto, 1986.

Table 3

CANADIAN GOVERNMENT-TO-GOVERNMENT AID TO CENTRAL AMERICAN COUNTRIES 1979-1985
\$ millions/(% of regional total)

	Fiscal Year					
	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>
Guatemala	2.94 (31.6)	1.33 (16.5)	1.17 (7.4)	2.57 (24.1)	.86 (5.1)	.82 (2.4)
El Salvador	1.37 (14.7)	2.66 (33)	6.21 (39.4)	.54 (5.0)	.53 (3.1)	.51 (1.5)
Honduras	4.62 (49.7)	3.68 (45.7)	3.25 (20.6)	3.57 (33.5)	1.97 (11.6)	19.36 (56.7)
Nicaragua	.20 (2.2)	.20 (2.5)	4.65 (29.5)	.59 (5.5)	7.15 (42.1)	6.6 (19.4)
Costa Rica	.17 (1.8)	.14 (1.7)	.35 (2.2)	3.23 (30.3)	6.34 (37.3)	6.64 (19.5)
Panama	-	.04 (0.5)	.15 (1.0)	.15 (1.4)	.15 (0.9)	.18 (0.5)
All Central America	9.30	8.05	15.78	10.65	17.00	34.12
Total Central America and Caribbean	42.16 (3.4% of global ODA)	36.08 (2.8% of ODA)	55.51 (3.7% of ODA)	43.91 (2.6% of ODA*)	62.88 (3.5% of ODA)	102.20 (4.9% of ODA)

* There is a slight discrepancy between the global ODA figure for this year in CIDA's 1982-83 Annual Report and that given in the 1984-85 Report. I have used the lower figure from the later report.

Source: CIDA Annual Reports, various years.

Table 4

TOTAL OF ODA FOR CENTRAL AMERICA BY CHANNEL 1980-85
(\$ thousands)

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	Total <u>1980-81/84-85</u>
Bilateral	7,738.9	10,282.3	9,895.7	12,818.7	30,837.8	71,573.4
MAF*	470.6	1,218.6	1,750.0	1,900.0	1,872.1	7,211.3
NGO	3,230.0	4,315.0	4,290.8	7,261.7	4,918.8	24,016.3(1)
Industrial Cooperation	945.0	664.0	677.0	570.0	282.9	3,138.9
Institutional Cooperation	87.0	640.0	1,427.0	1,477.0	1,281.9	4,912.9(2)
Food Aid	-	4,500.0	-	3,000.0	-	7,500.
	12,471.5	21,619.9	18,040.5	27,027.4	39,193.5	118,352.8

(1) \$5,475.1 of this amount came from bilateral funding (country focus projects)

(2) \$1,563.9 of this amount came from bilateral funding (country focus projects)

* MAF: Mission Administered Fund
NGO: Non-Governmental Organization

Source: Latin American Working Group, "Overview of Canadian Aid to Central America 1980-85," Appendix I, p. 3. "Country focus" refers to the recent experiment of channeling relatively large amounts of bilateral aid through Canadian NGOs (with matching at rates of 9 to 1 instead of the normal 2 or 3 to 1) for high priority projects. The experience to date has been mixed. "Industrial cooperation" refers to projects undertaken in collaboration with the Canadian business sector. "Institutional cooperation" includes funding for international NGOs and other institutions with projects in the region. It is part of CIDA's Special Programs Branch.

Table 5

GOVERNMENT-TO-GOVERNMENT ASSISTANCE TO CENTRAL AMERICAN COUNTRIES, 1984-1987
\$ millions/(% of regional total)

	<u>Actual Spending 1984-85*</u>		<u>Forecast Spending 1985-86**</u>		<u>Projected Spending 1986-87***</u>	
Guatemala	.82	(2.4)	.46	(2.7)	.36	(1.7)
El Salvador	.51	(1.5)	.38	(2.3)	4.63	(21.3)
Honduras	19.36	(56.7)	2.93	(17.5)	2.60	(12.0)
Nicaragua	6.61	(19.4)	6.15	(36.7)	8.83	(40.7)
Costa Rica	6.64	(19.5)	6.75	(40.3)	5.13	(23.6)
Panama	.18	(0.5)	.08	(0.5)	.15	(0.7)
Total	34.12		16.75		21.7	

* CIDA Annual Report, 1984-85.

** Information supplied by CIDA. Final figures not yet available.

*** Information supplied by CIDA. Five-year planning estimates for the period 1986-87 to 1990-91 are currently under review within the Agency.

As noted earlier, the very small amounts of aid to Guatemala and El Salvador are due to the suspension of bilateral project funding in 1981. These residual amounts are made up of the end stages of previous commitments and sums disbursed locally by the Embassy (Mission Administered Funds). However, at the end of 1984 the government announced that it would renew its bilateral assistance program in El Salvador. (In the two years prior to suspension El Salvador received over \$10 million in aid, Guatemala nearly \$7 million, compared to \$15 million for Honduras, \$12.5 million for Nicaragua and \$4.85 million for Costa Rica.) This renewal was in recognition of an improved situation under the newly-elected government of a moderate Christian Democratic President, Napoleon Duarte. According to the 1984-85 Annual Report, "CIDA will focus its assistance on the plight of the thousands of persons displaced by the civil conflict." Guatemala now also has a newly-elected civilian government under Christian Democrat Vinicio

Cerezo. While the resumption of project aid to Guatemala is still in the future, planning for new projects is proceeding in El Salvador. During a visit in June 1985 the Hon. Monique Vézina announced that Canada would extend over two years an \$8 million⁽¹⁾ line of credit, over half of which will likely be disbursed in the coming fiscal year. It will be directed at programs for displaced and needy persons. The funding arrangements in this case have been somewhat delicate and involve the use of what is known as a "counterpart" arrangement. The line of credit will be financed from the sale of donated Canadian fertilizer (by the Salvadoran government within El Salvador) to create a special fund in local currency. A Canadian NGO will then manage the fund, acting as the executing agent for CIDA. In turn the fund will be channelled through local NGOs in El Salvador. So, while the go-ahead has come from government, NGOs both here and in El Salvador will be in charge of actual aid delivery.⁽²⁾

Honduras, one of the poorest countries in the hemisphere (GNP per capita of U.S.\$670 in 1983) is the only core program, or "Category I" country in CIDA's terms, within Central America. Traditionally it has received the largest share of Canadian ODA. However, from about 1982 on, project planning suffered due to political instability arising from the massive American economic and military presence and the escalating conflict with Nicaragua. In 1983 CIDA undertook a full review of its Honduras program. Because of these uncertainties, in fiscal 1983-84 disbursements to Honduras amounted to only about \$2 million. Nicaragua was the largest recipient of our bilateral aid that year, at about \$7 million. In 1984-85 the Honduran share ballooned to nearly \$20 million. This, however, was an exceptional circumstance accounted for by a very large loan as part of Canada's contribution to a hydroelectric project under multilateral World Bank auspices. Canada's bilateral program in Honduras is still well below its previous average because of the difficulties noted above; notably

(1) This has since been boosted to \$8.9 million because of increased administrative costs.

(2) For further analysis of the complexities and problems with NGO aid to Central America see the LAWG study, "Overview of Canadian Aid to Central America 1980-1985," p. 19-23.

changes in the Honduran government and its priorities, which in turn have raised questions in Canada about our role and the capacity of the country to effectively absorb more Canadian aid. Nonetheless, a recovery in funding is expected. Within CIDA's planning horizon for 1986-87 to 1990-91 Honduras is again projected to receive the most Canadian aid (a ceiling of \$50 million), more than double the amount projected for Nicaragua (about \$20 million).(1)

The controversies of politics and ideology notwithstanding, Canada has developed a substantial aid program in Nicaragua. Of the \$6.15 million to be spent this year about half will go to the agricultural sector (livestock, fertilizer, equipment) paid from a line of credit of \$13 million approved two years ago; about \$1.7 million will be in the form of a combined loan and grant for potable water projects; the rest going to various country-focus projects by NGOs funded on a matching basis. In the previous fiscal year (1984-85) CIDA approved a \$7.5 million loan for the rehabilitation and construction of potable water systems and a \$10.4 million loan for a geo-thermal power station, Momotombo II. Then in June 1985 External Relations Minister, the Hon. Monique Vézina, announced during a visit to Managua a further \$11.8 million line of credit in connection with the Momotombo power project. It will be drawn upon over three years beginning in the new fiscal year when Nicaragua is projected to be the largest recipient of Canadian aid (as it was in 1983-84). The government has maintained a cautious, steady approach in providing assistance to Nicaragua, declining to take the further step which some have recommended of making Nicaragua a Category I core country for CIDA funding. Despite that caution Canada has allocated \$42 million in aid to Nicaragua since 1980 -- \$19 million of that since September 1984.

Responding to pressing economic need, aid to Costa Rica has also increased, at least temporarily. In 1984-85 CIDA approved \$15 million for fertilizer inputs to the agricultural sector and a contribution of \$3 million for a scholarship program in Canada. In 1985-86 Costa Rica will be the largest recipient of Canadian ODA, though this amount is expected to

(1) These figures are under review by Cabinet and are not yet official.

fall as conditions improve. In Panama, where our commercial prospects are the brightest, aid amounts have been very small.

In general, over the course of this decade Canadian aid to Central America, though never large, has become quite significant, with Honduras, Nicaragua and Costa Rica being the largest recipients. This aid is especially important in light of the foreign exchange squeeze afflicting the Central American economies. A sizeable part of Canadian aid has been in the form of loans, so the decision to convert all CIDA loans to grants, announced by Secretary of State for External Affairs, the Rt. Hon. Joe Clark, following the February 1986 Budget, should benefit the Central American countries. One can also expect more matching grants as a result of increased NGO activity in the region.

"HUMAN RIGHTS," "DEMOCRATIC DEVELOPMENT" AND OTHER ISSUES FOR CANADIAN POLICYMAKERS

Canada has attempted as far as possible to adopt a pacific "neutralist" posture towards the Central American conflicts, with arguable success. The government understandably does not want to be drawn further into the quagmire of revolution and counter-revolution in which one side's "freedom fighters" are the other's "terrorists," "subversives" or "imperialist" collaborators. Canada has consistently decried all violence in the region, whatever the source or ideological complexion. Ottawa has been cool to the Reagan administration's "back-to-democracy" and free enterprise crusade in which Nicaragua (population under three million) has become the frontline for the defence of the Free World from Communism. Yet within the foreign policy establishment there is also at least tacit acceptance that the Caribbean Basin lies within the U.S. sphere of influence, and therefore of the legitimacy of Washington's strategic superpower interests. We can appreciate U.S. goals while disapproving of U.S. methods. The allegations that Nicaragua is a "Soviet-Cuban proxy" for exporting revolution to its neighbours are taken more seriously than those that Honduras is a U.S. proxy for waging an illegal war against the Sandinistas. Canadian "even-handedness" has a pronounced tilt in that U.S. influence in the region is still viewed in a much more favourable light than Soviet or Cuban influence.

The Reagan administration claims to be fighting for human rights and democratic development in Central America. Canada is not neutral in the East-West struggle and does not subscribe to the doctrine of "moral equivalence" between the superpowers. By friendship and alliance Ottawa is predisposed to support U.S. foreign policy objectives. But in Central America the facts of just what is at stake are notoriously subject to dispute. Many Canadians are strongly sceptical of the White House version of events. At the same time the government has few of its own direct sources of information and analysis. And Ottawa faces other dilemmas in trying to preserve a critically important margin of independence. The safest tendency has been to take the high road of least intervention: for example, standing "above politics" in the case of multilateral bank loans to Nicaragua;⁽¹⁾ or arguing in the Contadora context that the problems are indigenous and must ultimately be settled by the Latin Americans themselves. If Canada has favourites, it is as a spectator not a combatant. Canada does not want to be seen in anyone's corner, much less to climb into the ring. Such a strategy only partially gets the government off the hook, but it contains an implicit recognition that the choices are not as clear-cut as those presented by Washington. In Canadian eyes Central America is not black-and-white; it is a turbulent kaleidoscope in grey.

A few examples suffice to show that Canadian policy is often similarly murky. "Human rights" is an explosive issue which evokes a typically ambivalent, diffident response from Ottawa. While the U.S. government singles out Nicaragua for its curtailment of civil liberties, most human rights groups focus on the activities of state security forces

(1) Canada has repeatedly deplored "politicization" of credit decisions in the Inter-American Development Bank, of which Nicaragua is a member. In 1983 the U.S. vetoed a \$2.2 million rural loan to Nicaragua. In 1985 the U.S. was again alone among the IDB'S 43 members in blocking a \$58 million agricultural loan to that country. While church and human rights groups have supported Ottawa's stand on "political interference" in the case of Nicaragua, they have also been critical in urging international lending institutions to apply "basic human rights criteria" in the granting of loans. ("Canada wants bank free from interference," Toronto Globe and Mail, 20 March 1986; "U.S. blocks Nicaragua from obtaining loans," The Citizen, Ottawa, 1 April 1986.)

and right-wing groups ("death squads", disappearances, torture, and so on) in countries supported by Washington. A February 1986 report by Amnesty International criticized the Sandinistas for "a pattern of intimidation and harassment" of opponents. But it also came down more severely on the U.S.-backed Contras, who stand accused of numerous atrocities.⁽¹⁾ The Nicaraguan government claims more than 12,000 casualties from the war. It also admits it has made some errors, especially in its treatment of the Miskito Indians. The situation is complex.⁽²⁾ But the Canadian government has had very little of substance to say on the above. The Canadian position seeks rather to avoid controversy. Loans and credits should be supplied on the basis of economic merit; trade and aid should only be affected if rights violations are so gross and systemic as to make "normal" relations impossible. In general, human rights considerations have not been well integrated into Canadian foreign policy. Ottawa fears their intrusion on pragmatic strategic grounds and because it is not strongly equipped to deal with them. As Ed Dosman observes.

Looking outside of official Ottawa, one sees that the most vocal non-governmental organizations are the various human rights and solidarity groups across the country. However, there is also a powerful anti-communist, anti-Soviet sentiment among many Canadian communities, particularly those from Eastern Europe and Southeast Asia, which automatically takes the invocation of a "Soviet-Cuban" threat in Central America at face value. External Affairs is aware of this split -- aware, as it also was, that the Caribbean community in Canada was deeply divided over the Grenada invasion. Partly as a result, DEA's approach to the human rights issue has been to define it rather narrowly, in terms of refugee policy for example, where a humane and enlightened policy has indeed evolved, rather than in terms of the structural roots of human rights abuses.

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- (1) For a chilling portrait see Christopher Dickey, With the Contras, General Publishing, 1986. Dickey was Central America bureau chief for The Washington Post from 1980-83. In March 1986 a Canadian missionary in Honduras, Fr. William Arsenault, was murdered by gunmen believed to be Nicaraguan rebels.
- (2) An excellent report on the contending forces is Robert Leiken, "The Battle for Nicaragua," New York Review of Books, 13 March 1986.

In fact the human rights movement in Canada has had little impact on official policy beyond humanitarian concerns; it is difficult to locate major business deals that have fallen through on human rights grounds, and Canadian-Guatemalan relations have been almost humorously Byzantine in the desire to balance commercial and human rights issues.⁽¹⁾

"Democratic development" is another issue which Canada affirms as general principle, but tends to avoid in practice as the hot potato that it undoubtedly is. Canada does not believe it has a mission to teach democracy to all nations. The government has seldom been prepared to go further than supporting elections and urging "discussion and compromise" among all parties. Here again, though, there is some confusion. Canada is sympathetic to the Duarte presidency in El Salvador, welcomes the return to civilian rule in several other countries, and has even noted some reforms and improvements in Nicaragua despite the war situation. Yet, in a conspicuous exception, no official observers were sent to the November 1984 elections in Nicaragua. In effect, these events transpired without producing a coherent Canadian vision of democracy in Central America, specifically the conditions for dialogue and "internal reconciliation."

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- (1) "Hemispheric Relations in the 1980s," p. 57. On the Guatemalan issue see also Philippe LeBlanc, "Canada at the UN Human Rights Commission," International Perspectives, September/October 1985, p. 21-22; and for an earlier global critique, Sheldon Gordon, "The Canadian government and human rights abroad," International Perspectives, November/December 1983, p. 8-10. The parliamentary Sub-committee on Canada's Relations with Latin America and the Caribbean tried to strike a balance on human rights. In its Report tabled 29 July 1982 it recommended that aid not be resumed to Guatemala until its government "has made serious efforts to reduce human rights violations," and that aid be resumed to El Salvador only if its government "effectively implements land reform and makes substantial progress toward reducing human rights violations committed by government forces." Continued assistance to Nicaragua should be "conditional upon Nicaragua maintaining its armed forces solely for self-defence purposes." The sub-committee also recommended creation of a "Human Rights Association of Parliamentarians to monitor respect for human rights, especially in countries with which Canada has important relations." Although this idea was not taken up, the newly-established House of Commons Standing Committee on Human Rights has the opportunity to fulfil this purpose of upgrading and expanding the attention Ottawa pays to human rights concerns.

As with the September 1984 draft Contadora peace treaty, Canadian government observations of the electoral process in Central America have focused on the technical aspects. While such a restrictive role is designed to be discreet and inoffensive, the issues of human rights and democracy are not so easily neutralized.

Canadian churches have been in the forefront of those pushing these issues on to the foreign policy agenda. Significantly, the role of the church is also the subject of intense debate and the object of an extraordinary propaganda battle in Central America. The Catholic church in particular is badly divided. The outspoken foreign minister of Nicaragua, Miguel d'Escoto, is a priest who belongs to an American-based missionary order. The equally outspoken Cardinal of Managua, Miguel Obando y Bravo, is a symbol of opposition to the Sandinista regime. Ironically, while Somoza was still in power Obando had joined with Archbishop Oscar Romero of San Salvador at the 1979 Puebla Conference of Latin American bishops to plead for a strong statement denouncing human rights abuses in their two countries. Romero was assassinated and became a martyr of the leftist opposition in El Salvador, but in Nicaragua under the leftward direction of the victorious Sandinistas Obando quickly became identified with the "Contra" reaction. Nicaragua is a first test case in a post-revolutionary situation of "liberation theology" and a church challenged to come to terms with the denial of its traditional role.⁽¹⁾ The part played by the church in the recent overthrow of corrupt dictatorships in Haiti and the Philippines indicates this may be an increasingly important phenomenon.

(1) Cf. Schmitz, "The Uncomfortable Pew: Church-State Conflict in Latin American Perspective," in Arch Ritter, ed., Latin America and the Caribbean: Geopolitics, Development and Culture, Toronto, CALACS/ACELAC, 1984. Throughout Latin America and the Third World churches have undergone a remarkable political transformation. Some church leaders see the radical politicized theologies and accompanying movements as a threat to their authority. Others, such as Brazil's Dom Helder Camara, have moved from a conservative hierarchical position to embrace the revolutionary (albeit "nonviolent") agenda of the "church of the poor." The author interviewed Dom Helder and other bishops in Latin America in 1977, so these comments are based on personal observation as well as published sources. A large number are now

While the Reagan administration alleges "religious persecution" in Nicaragua, this is vehemently contested by religious supporters of the Sandinista revolution.⁽¹⁾ Indeed the U.S. government is itself a principal target of similar accusations by many who see it as propping up rightist regimes under which the "prophetic" church has suffered severe repression.⁽²⁾ The different poles of the church in Central America are linked to radically opposed political agendas. What happens to and within these various churches is therefore of strategic importance. It is difficult to imagine a peaceful solution which does not involve the church. To the extent that Canada seeks such a solution this is also a question for Canadian foreign policy which challenges official Ottawa's capacity to make independent assessments of events and situations in regional hotspots like Central America. Here is another case, moreover, where the degree of Canadian public concern, as manifest in the growing activities of church and human rights groups, challenges the narrow bilateralist 'realpolitik' of a foreign policy centred on national "competitiveness" and "security".⁽³⁾

available in English. Useful recent introductions include "Visions of the Kingdom: The Latin American Church in Conflict," NACLA Report on the Americas, September/October 1985, p. 13-47; and Edward Cleary, Crisis and Change: The Church in Latin America Today, Orbis, Maryknoll, 1985. On Central America an authoritative analysis is by Philip Berryman, The Religious Roots of Rebellion: Christians in Central American Revolutions, Orbis, Maryknoll, 1984.)

- (1) These include a large number in North America, where the Catholic press often carries firsthand reports on the situation of the church in Nicaragua.
- (2) Cf. Penny Lernoux, Cry of the People, Doubleday, New York, 1980.
- (3) For many the debate over a Canadian role in Central America is less a matter of Canadian interests than it is a test of the conscience of policymakers. The Decima Research poll done for the Department of External Affairs in the summer of 1985 revealed a dominant internationalist, humanitarian impulse in Canadians' attitudes towards foreign affairs issues. This contrasts with the "realist" school of international relations which argues for policy based on considerations of "objective" national self-interest.

CONCLUSION

The dramatic overthrow of the corrupt Somoza dictatorship in Nicaragua in July 1979 inaugurated a new era of revolution and counter-revolution in Central American history, a history scarred by civil war, foreign interference and gross violations of human rights. The current cycle of violence is exacerbated by an economic crisis and by the injection of Cold War East-West tensions by the U.S. government which sees the leftist insurgencies in Guatemala and El Salvador and the Sandinista victory in Nicaragua as a major threat to its longstanding hegemony in the region. Canada has had little to do with this history or with these strategic interests. Our economic stake in Central America is also very small. Yet our proximity to the U.S. and our tradition as a "peacekeeper" have combined with strong public interest to pressure policymakers to define a hemispheric role for Canada. Nowhere has the debate over questions of U.S. policy, aid, refugees, human rights, democratic development, etc., been more intense than in Central America. This area of the world has therefore emerged as a foreign policy preoccupation in the 1980s, even though Canada's own security and commercial concerns are focused elsewhere.

Canadian policy in Central America has carefully hewed to the middle road of promoting the conditions for long-term political and economic stability while providing some short-term humanitarian and technical assistance. It is a policy which claims to be non-partisan and independent. As David Kilgour argues in a useful summary:

The Canadian assessment of the situation is distinctive and responds to Canada's own analysis. It is Canada's firm belief that the roots of political instability do not lie primarily in subversion, but in poverty and social injustice, particularly in the frustration caused by persistent huge wealth disparities. Discontent and violence in the region originate in internal socio-economic problems and are thus best remedied by economic, social and political reforms. While Canada recognizes that external interference is a contributing factor to instability and violence, our government does not endorse the analysis which assigns the preponderant responsibility for the continuing bloodshed to Soviet interference in the Americas. Canada is concerned about

the injection of East/West friction into a problem which we prefer to see more in North/South terms. We support the withdrawal of all third party military presences in the region. Of course, Canada's foreign policy outlook is not that of a superpower, but reflects our national interests and objectives. In this regard, Canada did not join the US trade embargo on Nicaragua and is continuing, as we have with Cuba, to maintain normal diplomatic and trade relations, and is even increasing our bilateral assistance program. This is in keeping with our traditional refusal to base economic relations on political complexion.

Canada sees the best possibilities for improvement of the region's security problems as regional in nature. We wholeheartedly support the Contadora initiative (governments of Colombia, Mexico, Panama and Venezuela). Because of our extensive experience in international peacekeeping, Canada was asked to comment on the technical and legal elements of the Contadora proposal. The control and verification procedures were carefully reviewed by legal experts in the Department of External Affairs and our comments were forwarded confidentially so as not to politicize further the initiative and thus hurt its prospects for success. The question of Canadian participation in any Central American security commission will have to be considered carefully in light of our priorities and resources. Canada recognizes the realities of its international position. We lack both the means and the inclination to be Central America's "policeman."⁽¹⁾

Kilgour then adds the all-important corollary: "In the past some of our policies found disfavor with the US, and this is a matter of concern. There is still a lingering apprehension about being forced to take sides in hemispheric questions."⁽²⁾ Yet this is precisely what critics of Canada's Central America policies, most vocally church social action and human rights monitoring groups, would like the government to do. In a sense, Canada is being asked to "police" the ambit of U.S. policy in the region, something which goes well beyond the modest "honest broker" role which Ottawa has carved out for itself in mediation efforts such as

(1) "Canada and Latin America," International Perspectives, January/February 1986, p. 21.

(2) Ibid.

Contadora. A striking, though no longer surprising conclusion which emerges from some of the earlier analysis in this paper is the degree of concern and sympathy which the plight of Central America has aroused among Canadians. Parliamentarians are hearing from their constituents and the government is hearing from both. Ottawa is constantly being pushed to define its policy and to take new initiatives. But people are not just waiting for government to act. The voluntary sector has been extremely active in helping refugees and in providing assistance to Nicaragua (Farmers for Peace, Tools for Peace, etc.). There is a large network of support and solidarity groups across Canada.(1)

The current focus on issues such as aid to the Nicaraguan Contras is by no means a "flash in the pan." The drama of Central America has not only sustained media interest and compelled North American response. For years, too, concern has been building among ordinary Canadians about U.S. hemispheric policy and the related issues of human rights and prospects for peaceful, democratic development. This concern manifested itself strongly during the deliberations of the House Sub-committee on Canada's Relations with Latin America and the Caribbean. It has re-emerged as a dominant preoccupation in a number of the current public hearings of the Special Joint Committee on Canada's International Relations (out of all proportion to the marginal attention accorded Central America in the Green Paper on foreign policy). The issue of Central America, and in particular Nicaragua, understandably makes the Canadian government very uncomfortable. But it is one which becomes harder to avoid with each escalation in the undeclared war between the Reagan administration and the Sandinistas.

(1) This network is well supplied with independent information and analysis through various newsletters, both national and regional and the resource centre of the Latin American Working Group in Toronto. LAWG distributes many publications including its own -- e.g., Canadians and the Crisis in Central America: An Anti-Intervention Handbook and the bimonthly Central America Update which it produces in association with the Jesuit Centre for Social Faith and Justice, also based in Toronto.

A P P E N D I X

COUNTRY FACT SHEETS

GUATEMALA

Area	- 108,889 sq. km. (42,534 square miles)
Population	- 8,161,403 (1984); annual rate of growth 3.1% (1983)
Ethnic Composition	- Approximately 50% Indian and remainder Ladino (white)
Religion	- Approximately 73% Roman Catholic, 25% Protestant and a few Mayan
Capital City	- Guatemala City (population 2 million)
Form of Government	- Republic
Head of State and Current Administration	- President Mario Vinicio Cerezo Arévalo, Christian Democrat (since January 1986). The government is a Centre-Right Coalition, the National Assembly was last elected in July 1984.
Gross Domestic Product	- U.S. \$9,243.8 million (1984)
Gross Domestic Product Per Capita	- U.S. 1,194.3 (1984)
External Public Debt	- U.S. \$1.834 million (1983)
Debt Service/Exports Ratio	- 25.3% (1984)

EL SALVADOR

Area	- 8,177 sq. km. (8,177 square miles)
Population	- 5.1 million (1984); annual rate of growth 2.9% (1984).
Ethnic Composition	- Mestizo (mixed) 89%, Indian 10%, Caucasian 1%
Religion	- Approximately 80% Roman Catholic
Capital City	- San Salvador (population 1.4 million)
Form of Government	- Republic
Head of State and Current Administration	- President José Napoleon Duarte, Christian Democrat (June 1984). The government is controlled by the Christian Democrat Party and was elected in March 1984.
Gross Domestic Product	- U.S. \$3,317.2 million (1984 estimate)
Gross Domestic Product Per Capita	- U.S. \$707.9 (1984 estimate)
External Public Debt	- U.S. \$1,414 million (1983)
Debt Service/Exports Ratio	- 3.0% (1978)

HONDURAS

Area	- 112,088 sq. km. (43,784 square miles)
Population	- 2.9 million (1983); annual rate of growth 3.3% (1983)
Ethnic Composition	- Mestizo (mixed) 90%
Religion	- Mainly Roman Catholic
Capital City	- Tegucigalpa (population 450,000)
Form of Government	- Republic
Head of State and Current Administration	- President José Azcona Hoyo, Liberal Party (January 1986). The Liberal Party controls the government and was elected along with the President in December 1985.
Gross Domestic Product	- U.S. \$3,806.1 million (1984)
Gross Domestic Product Per Capita	- U.S. \$663.1 (1984)
External Public Debt	- U.S. \$2,314 million (1983)
Debt Service/Exports Ratio	- 16.0% (1981)

NICARAGUA

Area	- 148,000 sq. km. (57,000 square miles)
Population	- 2.9 million (1983); annual rate of growth 3.3% (1981)
Ethnic Composition	- Mestizo (mixed) 69%, white 17%, black 9%, Indian 5%
Religion	- 95% Roman Catholic
Capital City	- Managua (population 715,000)
Form of Government	- Republic
Head of State and Current Administration	- President Daniel Ortego, FSLN (Sandinista) (January 1985). The government is controlled by the FSLN, a left-wing revolutionary party which was elected with the President in November 1984.
Gross Domestic Product	- U.S. \$2,763.9 million (1984)
Gross Domestic Product Per Capita	- U.S. \$873.8 (1984)
External Public Debt	- U.S. \$4,105 million (1984)
Debt Service/Exports Ratio	- 39.4% (1980)

COSTA RICA

Area	- 51,000 sq. km. (19,882 square miles)
Population	- 2.5 million (1984); annual rate of growth 2.3% (1981)
Ethnic Composition	- 96% white (including Mestizo), 3% black, 1% Indian
Religion	- 95% Roman Catholic
Capital City	- San José (population 800,000)
Form of Government	- Republic
Head of State and Current Administration	- President Oscar Arias Sanchez, National Liberation Party (February 1986). The government is led by the National Liberation Party.
Gross Domestic Product	- U.S. \$3,851.0 million (1984)
Gross Domestic Product Per Capita	- U.S. \$1,565.4 (1984)
External Public Debt	- U.S. \$4,153 million (1983)
Debt Service/Exports Ratio	- 50.6% (1983)

PANAMA

Area	- 75,650 sq. km. (29,700 square miles)
Population	- 2.03 million (1983); annual rate of growth 2.4% (1980)
Ethnic Composition	- Mestizo (mixed) 70%, West Indian 14%, white 10%, Indian 6%
Religion	- Roman Catholic 93%, Protestant 6%
Capital City	- Panama City (population 502,000)
Form of Government.	- Republic
Head of State and Current Administration	- President Eric Arturo del Valle, Democratic Revolutionary (October 1984). The government is a Centre-Right Coalition which took office in September 1985.
Gross Domestic Product	- U.S. \$4,314.3 million (1984)
Gross Domestic Product Per Capita	- U.S. \$2,021 (1984)
External Public Debt	- U.S. \$3,853 million (1983)
Debt Service/Exports Ratio	- 12.5% (1981)



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